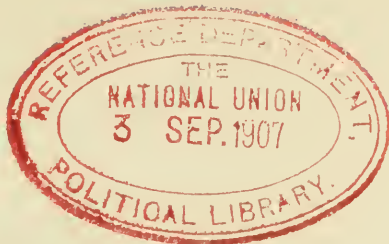


THE STRENGTH OF NATIONS

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THE STRENGTH OF NATIONS

THE
STRENGTH OF NATIONS

AN ARGUMENT FROM HISTORY

BY

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PREFACE.

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HARVARD

IN this book an attempt is made to examine the fiscal question in the light which European history from the commencement of the Christian era sheds upon it. Nations, governed by the working classes who are free except for the necessity of earning their daily wage, have replaced city States surrounded by subject provinces, in which the workers, both agricultural and industrial, were slaves. The political change has been enormous, but throughout it certain economic laws seem to have been in constant operation. Now, as in the days of imperial Rome, the power of obtaining the production of others, by the ancient method of tribute or the modern method of interest on foreign investments, is a source of national weakness rather than of national strength. The histories of Rome and Spain amply illustrate this. During the Middle Ages this truth was to a large extent recognised, and Constantinople, the Italian cities, the German cities, and Holland, in turn, tried to become rich and strong through international trade. As long as the trade centre was able to keep

her customers apart the trade system was successful. Constantinople was not only able forcibly to interpose herself between the East and West, but in her provinces she controlled a great number of servile producers; her empire lasted 1,100 years, and only ended when the Western Europeans were forming themselves into nations. The economic idea of a nation, the union of agricultural production, industry, commerce, and shipping, under central control, is admirably illustrated in the history of England. The production of wool was first fostered and protected until a monopoly of the raw material was acquired; by the sternest protective measures this monopoly was used to found English supremacy in weaving, and then in dressing and dyeing the woven cloth. On industrial production commerce and shipping were firmly established by similar protective measures. Dazzled by the ephemeral profits of international trade European communities failed to realise that union and production are the only sure foundations for strength. English production overwhelmed the divided European producers until France, under Colbert, obtained an economic union similar to that of England. The eighteenth century witnessed a Titanic struggle for world markets between these two protected nations. Misled by her economists France abandoned protection, hoping to find happiness in a return to a more natural condition. The mistake France thus made more than

neutralised the advantage her larger population gave her in her struggle with Great Britain, and led to Trafalgar and Waterloo. Great Britain acquired absolute supremacy in productive power, and her statesmen adopted free trade, trusting that other nations would follow her example. Had their dream been realised, Great Britain would have become the workshop and the centre of a world of nations competing to supply her with raw materials and buy her finished products. Other nations have, however, declined to fall in with this scheme, and the proposed free exchange has degenerated into British free importation. If now Great Britain wishes to repeat her past success, it seems as if she must revert to her former methods. In an economic union of the British Empire, tropical raw material will be linked to British industry, and the new combination will have no need to fear foreign competition. This is, briefly, the argument contained in this book. The historical facts have been collected from the works mentioned in the list printed at the end of this volume. I would like to dedicate this book to those Englishmen who have sufficient faith in the wisdom of their ancestors to differ from Cobden in believing that the "principle of free trade is one to which we may bow with all humility, acknowledging it as one of the ordinances of the Creator—that it is, in fact, the international common law of the Almighty." (tt, 328).

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I.

TRIBUTE, TRADE, AND PRODUCTION.

INTRODUCTION.

1. Man's chief needs are food and shelter.
 2. Political Economy, or the science of the struggle for existence, must be based on history.
 3. The early communities were cities, not nations.
 4. The tribute and trade systems are methods by which citizens compelled provincials to give them food and shelter.
 5. Imports without exports is the tribute system.
 6. Imports with invisible exports is the trade system.
 7. The change from tribute to trade increased the freedom of the masses.
 8. Distinction between trading and producing cities.
 9. Tendency of the rich towards trade rather than production.
 10. The theory of the division of labour.
 11. Efficiency comes from the union of co-ordinated labour.
 12. The economic aim of a nation is to unite producers of raw material, manufacturers and middlemen.
 13. This union can now be effected only by Empires.
 14. Tribute is an unstable, and trade a doubtful foundation for national prosperity.
 15. British free trade was originally intended to help production.
1. To obtain food and shelter is, and always must have been, the chief object of mankind. When these fundamental needs have been satisfied, literature, art, and science can flourish ; but men must have food and shelter

if they are to continue to exist. Devotees and philosophers have argued in opposition to the common-sense of mankind, but Stylites, on his pillar, and Diogenes, in his tub, were able to testify because other men, working in accordance with the laws which these idealists denounced, supplied them with the food they required.

2. No community is, or ever has been, rich in the popular sense of the word. The immense majority of citizens have to struggle for existence. Students of every school of political thought admit that this is true of England in the present time; and in the past, before machinery had enabled men to live in defiance of the obstacles Nature interposes, the struggle must have been far more severe. The history of European civilisation, from its foundation in the time of the Roman Empire to modern times, is a record of schemes devised by men to satisfy their wants with the least amount of work. Long before political economy was taught as a science, it existed in men's minds in the form of principles which guided their actions. History, with its account of the rise and fall of peoples, must be a safer guide than mere theory in the solution of national problems.

3. In the past the unit was a town and not a nation. History records the rise and fall of Rome, Constantinople, Lübeck and Bruges; Italy, Turkey, Germany, and Belgium are modern creations. These old world cities sought to become centres of Empire; but the Empires they wished to acquire resemble only in name the British Empire of which men talk to-day. The aim of most of these old world cities was to surround themselves with subject provinces, from which the necessities of life could be drawn. They believed that it was more blessed to receive than to

give. They cared for imports and let exports take care of themselves. Provincial production was fostered rather than home production.

4. At first the methods adopted to draw provincial wealth to the metropolis were of the simplest character. The lands and goods of conquered provinces were annexed, and the inhabitants forced to work as slaves for the benefit of their conquerors. In time this elementary method of acquiring the riches of others was abandoned, and, in its place, the more subtle method of trade was introduced. The object of both systems, tribute and trade, was the same, to obtain imports without real exports; in other words, to obtain provincial goods without giving others in exchange.

5. Under the tribute system provincial products were forcibly taken, and neither goods nor services were given in return. When provincial slave labour supplied the metropolis, those citizens who owned provincial estates became a wealthy aristocracy, whilst want of employment transformed the majority of the citizens into paupers. The unemployed extorted from their rulers not the right to work, which would have made them free men, but unearned food and clothing, which increased their dependence on those who controlled the provincial sources from which supplies came. This crude economy is only possible when there is a great difference between conquered and conquerors. As soon as provinces are able to win freedom and the right to enjoy the product of their labour, they naturally strive to cast off the yoke of the metropolis. Under the tribute system the production of the provinces is stimulated and they are driven along the path of progress, whilst home production is stifled and the conquering race decays. The tribute system thus creates the

poison which ultimately destroys it. Rome fell because the Roman died.

6. The transition from the tribute system to the international trade system is a natural one. Under the tribute system provincial products were forcibly drawn to the metropolis. When the provinces gained independence, the metropolis became a central market to which they continued to send their surplus products. The history of Constantinople illustrates this transition. The trade system, though far from perfect, is a great advance on the tribute system. Useful work is done in exchanging complementary products, for example, those of temperate and tropical countries. Though a trading community may not send out real exports in exchange for its imports, it does real work for others; and the carrying charges, brokers' fees, and merchants' profits, on which it lives, represent labour just as food and clothing do. In the language of economists, a trading community is said to exchange invisible exports for the goods it imports. The services it renders to others, or its invisible exports, represent the work of its citizens given in exchange for the products it imports. The mediæval trading cities had not the parasitic character of Rome.

7. A trading city found employment for its citizens in the work of distribution. Control of that great highway, the sea, is necessary for the very existence of a great trading community; hence, in its mercantile marine and navy, it bred a race of hardy sailors on whose strength and courage it could rely. Capitalists, whose income depends on foreign investments, can leave their country without loss of income. International traders can also change their residence, probably with some loss, but with much less than a modern manufacturer would experience

if he moved his factories to a foreign land. This power of movement makes the trader less dependent on his fellow-citizens than they are on him, for the mass of manual workers cannot change their country without great suffering. Hence, although the poorer citizens of trading communities had more freedom and power than the proletariat of imperial Rome, true freedom for the democracy was born in producing countries.

8. As civilisation advanced, manufacturing cities developed in Europe. Florence, with her cloth weaving, was a typical manufacturing city, as Venice was a typical trading city. There were some manufactures in Venice, and Florence, even from the first, engaged to some extent in foreign trade, but the prosperity of the former depended mainly on commerce and the well-being of the latter on production. The burghers of mediæval trading and manufacturing cities were middlemen or merchants. The manufacturing merchants bought in their limited home market and sold to the trading merchant, whilst the trading merchant bought and sold in the markets of the world. The English traders of the gild merchant and merchant adventurers represent the two types.

9. Manual workers, agricultural, distributing and industrial, were alike of servile origin and usually had little direct influence in the community ; but whilst the interests of the agricultural and distributing workers were represented in the government of their country by the feudal lords and rich merchants, there was no one who could adequately voice the needs of the artisan. When the classes of producers between whom he deals are widely separated, the middleman's business is secure and his profits are large. When the middleman's customers are closely connected, there is a possibility that they

may deal directly with one another and thus dispense with his services; he is therefore forced to accept smaller profits, and occupies a less advantageous position. Hence the ruling class in manufacturing communities sought to become international traders, whilst there was little incentive for burghers in trading States to foster home production. It should not be forgotten that cost of transport in former times efficiently protected home industry, and thus the need of artificial protection was not felt.

10. Economists agree that the arguments for free trade have nowhere been more clearly stated than by Adam Smith in the *Wealth of Nations*. He begins his book by describing the gain in production effected by uniting the labour of ten men in making a pin. When their labour is co-ordinated and united, the ten men are able in a given time to make many more pins than they could if each man attempted by himself to perform all the ten operations. Adam Smith says that the gain is made because each man becomes more expert in performing one operation than he would become if he performed ten, because there is no waste of time in passing from one operation to another, and because a man is more likely to invent a machine or method for shortening labour if his mind is concentrated on one particular operation. Adam Smith and other economists call this the principle of division of labour, and, without proof, he asserts that men began to work in this way from no intention to increase production, but from "a certain propensity in human nature which has in view no such extensive utility, the propensity to truck, barter and exchange one thing for another".

11. This is a most subtle and ingenious opening for a

book intended to prove the superiority of free trade over all other systems ; in other words, to make popular in England the system advocated by the French economists of the eighteenth century. By means of the name, division of labour, and the unsupported assumption that division of labour arises from a tendency to barter, Adam Smith created an impression on his reader's mind which was favourable to trade and, to some extent, unfavourable to production. If two savages wish to make a fire, one will probably gather wood whilst the other rubs sticks together to kindle a flame. They co-ordinate and unite their labour in this way because they wish to produce a fire quickly, and not because they love to truck, barter or exchange. Experience guides them, not natural propensity. Efficiency is derived from the union of co-ordinated labour, not from division of labour.

12. Free-trade followers of Adam Smith argue that, provided there is division of labour, it does not affect national efficiency if some of the processes in manufacture are performed in other lands instead of at home. They argue in this way in spite of the fact that energy is lost in carrying half-finished goods from one country to another, just as it is lost when a workman passes from one operation to another. The free trader believes that national economic efficiency is not increased when all the steps in manufacture from the growth of the raw material to the completion of the finished article are in national hands ; the protectionist maintains that national control of all the processes is of vital importance, and that the economic reason, which made men group themselves in nations, was to increase national efficiency by bringing into action the principle of the union of co-ordinated labour. If the verdict of history is accepted, there is little doubt that the

protectionist is right. In the records of the past it is written that cities, which had long enjoyed a monopoly of production, perished when confronted with the economic power of nations, which co-ordinated and united production of raw material, manufacture, and commerce by the close ties of a protective system.

13. Woollen cloth was the staple article of commerce in the Middle Ages. For centuries England grew wool which German merchants carried to Flanders. The Flemish wove the wool, and some of the finished cloth was brought back to England by the Germans. When England founded a weaving industry on her production of raw material, the old Flemish industry was ruined. When, later on, England founded external trade on her production of cloth, the German ceased to carry for England and the English merchant adventurer took his place. Not once only, but again and again, history teaches this lesson. The only sure foundation for national industry is national raw material, and the only sure foundation for national commerce is national production. Tropical raw materials have now in many cases superseded those grown in temperate zones, thus cotton has to a large extent displaced wool. If England is to enjoy in the twentieth century the advantage she gained in the fifteenth and sixteenth centuries, she must learn to think imperially. Nations, confronted in the future with economically united empires, will succumb as mediæval cities were forced to give way to nations.

14. The tribute system depends on political or money power. Under it provincials are supposed to work for an indefinite period of time for the men who have at one time conquered them either by force or by inducing them to run into debts, the capital of which they are unable to

discharge. The tribute system is obviously an insecure foundation for national strength. The trade system is not necessarily an evil. It is a good thing for a nation when it is used as a means of increasing production. But it is always a dangerous ally, since it has a tendency to change its character. In the past, trade, when unregulated by the State, has always ended in ruining national production, which is the only permanent source of national strength.

15. British free trade was originally intended to be an aid to British production. This was the aim of Pitt, Canning, and Cobden. The very term free trade has now as little meaning as the term free food. At many periods in history the poor had real free food, that is food for which the people did not pay. Now bread, for which the poor have to pay a full price directly and an enormous price indirectly, is still misnamed free food. In the same way to permit foreigners to send their products to Great Britain, whilst the British are forbidden to send the goods they make into the foreign market, may be said to give freedom to the foreigner, but certainly not to the British. The word trade, that is exchange of goods, has become more absurd than the word free. It should not be forgotten that when too large a proportion of imports are paid for by interest on foreign investments, under whatever name the system is disguised, it is dangerously like the tribute system.

II.

IMPORTS WITHOUT EXPORTS.

ROME.

1. Magnitude of the Roman Empire.
2. The Romans lost freedom when they ceased to produce.
3. Rome was peacefully penetrated by her producing provinces.
4. The Eastern provinces contained the centres of manufacture.
5. Foreign imports weakened Rome.
6. Roman trade strengthened the barbarian producers.
7. Ultimately the barbarians conquered Rome.
8. The East became Christian.
9. The Greek Church became more powerful than the Roman State.
10. Economic superiority proved stronger than military power.
11. The centre of Empire was moved to the East.
12. The new centre abandoned the Roman creed and language.
13. Rome was forced to abandon her ancient creed.
14. Rome was conquered by barbarians.
15. Roman Christianity was defiled by her unwholesome economy.
16. Rome continued to be cosmopolitan and unproductive.

1. AT the beginning of the Christian era the Roman Empire was bounded by the deserts of Arabia and Africa, the Rhine, the Alps, the Danube, the Black Sea and the Euphrates. In spite of the advice of the Emperor Augustus, Britain was added to the Empire, and Dacia, *i.e.* Roumania and part of Hungary, formed, for some time, a province. This gigantic empire is supposed to

have contained somewhat less than one hundred million inhabitants, of whom about one per cent. dwelt in Rome.¹

2. Whilst Rome was extending her empire, her wealth was enormously increased by plunder. The more fortunate Romans obtained immense estates in the new provinces and hordes of slaves from the races they subdued. Owing to cheap slave labour, the Roman workman lost his occupation, and suffered as an Englishman does when his work is taken from him by the alien immigrant. To meet this evil a system of socialism was adopted. Food and other necessities of life were given to the poorer citizens of Rome.² Thus her population resembled that of the American slave States before the Civil War. There were masters, slaves and mean whites; but the masters were rich beyond the dreams of avarice, and the mean whites were paupers, dependent on the bounty of those who controlled the provincial supply of food. From this cause, the citizens of a great republic lost their freedom, and became the subjects of despotic emperors.

3. Like other despots, the Roman emperors depended on their army. In time the Roman army elected and deposed their emperors, without consulting the Roman people. Slaves and paupers do not make good recruits, hence the Roman soldiers were drawn from conquered barbarians, who had not been enslaved; these soldiers chose foreigners to fill the throne of the Cæsars. When the Roman people ceased to produce, it was but natural that those who fed Rome should also govern her.

4. In Europe, Rome annexed uncivilised lands, but in Greece, Egypt, and Asia, she conquered countries which had a higher civilisation than her own. She developed

¹ B, i., 42; iii., 308.

² B, iii., 302 *seq.*

production in Europe, drawing from thence gold, silver and raw materials. From Sicily and Africa her food came, whilst the Eastern provinces sent manufactured goods.¹ As long as Rome dealt within the empire, the unsoundness of her economic policy was not evident. If money flowed from Rome to pay for her imports, money returned in the form of tribute, of interest on Roman capital, and of rent due to wealthy Roman landowners. In return for the peace Rome gave to her empire, it kept one per cent. of the population in idleness at the metropolis. This was probably less expensive than paying for wars.

5. But the Romans were kept not only in idleness but in luxury. The wealthy citizens claimed the right to spend their money as they pleased. Roman millionaires craved luxuries that even the Roman Empire could not supply. Furs from Russia, amber from the Baltic, silks, pearls, diamonds, and spices from India, all the choice things of the world found their way to Rome, and no price was thought too great for them. The more thoughtful Romans realised the danger, but it was easier to point out the peril than to devise a remedy.²

6. The manufactures which Rome bought came mainly from the Eastern provinces, and were brought by Greek and Syrian middlemen. They were hereditary traders and their geographical position assisted their commerce. The trade from the Far East came by the Red Sea, or overland to the Black Sea, and thence by the Bosphorus to the Mediterranean.³ Much of the Eastern European trade also passed by the Danube, Black Sea

¹ B, i., 48 *seq.*

² B; i., 54, 55.

³ C, i., 146, 147.

and Bosphorus. External trade was not adjusted by the primitive method of tribute which prevailed within the empire. In return for what he gave, the barbarian asked for and obtained all that he needed to equip himself for war with Rome. Rome's subject provinces were disarmed. Thus they formed a tempting bait ; and beyond them was the great prize, Rome herself. The barbarian learned that his kinsmen had been trained into Rome's best troops ; he strove to arm and imitate their discipline. In this way Rome forged the weapon that destroyed her.

7. Internal division has for ages been the curse of Germany. This and the want of iron for their weapons restrained the Germans from attacking the empire.¹ In the middle of the third century these difficulties appear to have been partially overcome. The barrier, formed by the Rhine, the Alps, and the Danube, was broken. The West Germans poured through Spain and crossed to Africa, the Middle Germans invaded Italy, and the East Germans, or Goths, crossed the Danube and attacked the eastern provinces. When the Goths were bribed to retire, they moved to the Black Sea, acquired a fleet, and plundered the Grecian provinces. The Persians took advantage of Rome's difficulties, and, crossing the Euphrates, attacked the Asiatic provinces. Rome was, however, still strong enough to vanquish foreign foes ; before the end of the century, her power was re-established throughout the empire. Her most dangerous enemy was within her boundaries.

8. Greek was the language which prevailed throughout the Eastern provinces. It was the tongue of the middlemen of the productive East. Greece gave her civilisation

¹ B, i., 231 *seq.*

to the Asiatic provinces, and, in return, they endowed her with a religion. Christian traders spread the new faith wherever they travelled. Every convert became a citizen in a new community, which was quietly growing within the empire. Paganism had the support of the aristocracy and the army, but Christianity was rapidly embracing those on whom the Romans depended for their food. When the emperors realised the danger that threatened, they tried in vain, by persecution, to check the growth of the new creed, but it only seemed to grow more rapidly.

9. "The progress of Christianity among the Greeks was so rapid that they soon surpassed in numbers, wealth and influence any other body separated by peculiar usages from the mass of the population of the Roman Empire. The Greek language became the ordinary medium of communication on ecclesiastical affairs in the East; and the Christian communities of Greeks were gradually melted into one nation, having a common legislation and a common civil administration in many things, as well as a common religion. Their ecclesiastical government thus acquired a moral force which rendered it superior to the local authorities, and which at last rivalled the influence of the political administration of the empire. The Greek Church had grown up to be almost equal in power to the Roman State before Constantine determined to unite the two in strict alliance."¹

10. Rome, with a thousand years of glorious history, had to all appearances but recently driven back the world arrayed in arms against her only to succumb, almost without a struggle, when confronted with her new foe.

¹ C, i., 127.

It was not Rome, however, that had triumphed against the world, but the cosmopolitan empire which Rome had created. Imports without exports had done their work, the non-producing metropolis was dead. In Rome there were millionaires whose hearts were as provincial as their treasures; poor citizens, who looked to the provinces for their unearned food; and slaves, whose home was anywhere but in the imperial city. The productive East called, and early in the fourth century the Emperor Constantine obeyed the call.

11. No imperial race has ever peaceably suffered such an insult as Rome had to submit to when Constantine made Byzantium the metropolis and degraded Rome to the position of a provincial town. His contempt for Rome was shown not only by his transforming Byzantium into imperial Constantinople, but by his adoption of Christianity, the faith of the Greek middlemen. National pride had left the metropolis; wealth remained, but patriotism had fled. To call a Roman soldier a citizen was to insult him in the grossest manner.¹ The time was coming when even barbarians would find in the epithet, Roman, a word which expressed their deepest contempt.² They thus pronounced the judgment of the world on an unproductive race.

12. Before the move to Constantinople, the shipping and commerce of the empire were in the hands of the Eastern producers.³ When Constantine left Rome many wealthy Romans accompanied him, and thus the progress of decay was quickened. Still, though her population was seriously diminished, the poor in Rome continued to

¹ B, i., 155.

² B, v., 263.

³ C, i., 141.

receive their unearned food and the wealthy to live in luxurious extravagance.¹ Far-seeing Romans realised that ruin was impending, but the mass of the people shut their eyes to the danger, even when the new metropolis abandoned the Roman tongue and became frankly Greek. The little national spirit that was left in the Roman Senate found expression in adherence to the old Roman religion. Eugenius was made Emperor of the West, and espoused the pagan cause.

13. A battle, fought in 394 A.D., at the head of the Adriatic, decided the religious question. The Greeks and Goths, who followed the Eastern Emperor Theodosius, defeated the Gauls and Germans, who fought for Rome, and a cowed Senate decreed the abolition of Rome's ancient faith.² Christianity replaced paganism, and for centuries the Western Empire depended on the East. Then also Goths learned from Greeks not only the road to Rome but her wealth and weakness. Sixteen years later Goths sacked the city on the Tiber.

14. Huns followed the Goths and devastated Northern Italy, but moved by the prayers or bribes of the Bishop of Rome they retired without entering the city. Rome still enjoyed some measure of prosperity, and food was still distributed freely, although Rome's army and navy had vanished, and the Emperor of the West had deserted her for Ravenna, where he might be nearer his colleague in Constantinople. There was great wealth in the city, in spite of the Vandal conquest of her African granary; but Rome's weakness was shown in the pitiable procession of monks and priests which met the Vandal when he

¹ B, iii., 292 *seq.*

² B, iii., 194.

landed at her port in 455.¹ This time the prayer of the bishop failed to avert ruin. For fourteen days the Vandals pillaged Rome.

15. After their degradation, the Roman populace turned to their bishops for the supply of unearned food which had been their ruin.² For centuries foreigners fought for dominion in Italy, whilst the main desire of the Romans was to continue to enjoy unearned food. They kept this privilege, but they lost their language and their literary skill. Popes used the hopes and fears of half-barbarous Europeans to extract the tribute which imperial Rome had been accustomed to receive. Pisa, Genoa, Venice and Florence engaged in trade and industry, but Rome lived on in ignoble idleness. Her Popes were the custodians of the loftiest creed ever given to mankind, but they were also successors to the old rulers. Their duty was to distribute food as well as to preach the Gospel. The unwholesome economy of Rome defiled the message they had to deliver. This should be remembered when their crimes are condemned.

16. The Campagna, that plain which surrounds the city, tells the story of the fall of Rome.³ Here were once the farms that fed the city. Then the farm-houses disappeared and luxurious suburban villas took their place. Aliens worked on the estates, and the farmers joined the crowd who lived on Rome's charity. Then, again, in the fifth century the villas disappeared and the land became a waste, which bred a fever that poisoned Rome. Cosmopolitan by tradition, the Roman Popes have always been the enemies of national life, and Italy has suffered

¹ B, iv., 5.

² E, ii., 55, 56.

³ F, 50 *seq.*, 259 *seq.*

more than any other nation at their hands. For nearly 1,500 years after the death of paganism, the papal power kept Italy weak and divided. She has won her right to be a nation in spite of her unproductive metropolis.

III.

FROM TRIBUTE TO TRADE.

CONSTANTINOPLE.

1. Wisdom was shown in the migration to Constantinople.
2. At first Constantinople depended on both trade and tribute.
3. Ruin of the provinces made tribute uncertain.
4. The industrial provinces were temporarily lost.
5. Excessive tribute caused the Mahomedan provincial revolt.
6. When her provinces were lost, Constantinople could no longer depend on tribute.
7. Venice was the *entrepôt* for Constantinople's European trade.
8. The difference between natural and protected staples.
9. Constantinople made herself a protected staple for the Eastern trade.
10. Byzantine production was imperfectly protected.
11. Great wealth was gained under the trade system.
12. The Normans attacked the Balkan Peninsula.
13. The Seljouks invaded Asia Minor.
14. Constantinople bought assistance from Venice.
15. Venetian merchants obtained privileges in the market of Constantinople.
16. The Byzantine merchants were undersold by their Venetian rivals.

I. CONSTANTINE showed great foresight when he moved the centre of his empire to the Bosphorus. By thus uniting the imperial power to Eastern commerce and industry, he practically founded a new empire, which

endured for more than eleven centuries. Into the already prosperous seaport, which absolutely controlled the Black Sea trade and was a natural outlet for the surplus production of Asia, he introduced a government of the old Roman type. He aimed at Romanising the East. He succeeded in creating a new Eastern Empire.

2. Distributions of food and tribute from the provinces were grafted on to the commerce of Byzantium ;¹ in course of time the graft died, but the original stem grew more luxuriantly than ever. The new metropolis left Rome the wheat which came from Carthage, whilst she fed herself from Egypt. Thus she hardly felt the shock when the Vandals seized North-West Africa. The Gothic kingdoms of Italy and Spain were practically independent when Justinian became emperor, at the end of the first quarter of the sixth century. Beyond them Clovis had established a Frankish kingdom in Gaul. Justinian utilised the wealth, his careful predecessors had amassed, in conquering North-West Africa, Italy, and Southern Spain. He also made treaties with the Franks which facilitated commerce ;² thus the Mediterranean became Byzantine from the Straits of Gibraltar to Constantinople.

3. Justinian's passion for erecting magnificent buildings and his expensive wars impoverished the empire. The provinces he regained had been ruined by their barbarian rulers. They could contribute little to the support of the empire from either tribute or trade. The Byzantine army was largely composed of foreign mercenaries ; the imperial tax-payers were forbidden by law to enlist, for fear that the revenue might suffer.³ Garrisons had to be

¹ C, i., 101, 118.

² B, iv., 119.

³ C, i., 110.

provided for the poverty-stricken provinces which Justinian acquired, and thus the central provinces and the metropolis were weakened.

4. The weakness of the Byzantine Empire seemed to invite attack, and during the second half of the sixth century the Lombards and Slav tribes overspread Northern Italy and the Balkan Peninsula. But these troubles were slight compared with those which befel the empire when, in the beginning of the seventh century, the Persians renewed their hereditary war with Constantinople. The struggle lasted for twenty-five years, and during part of this period the empire was reduced to Constantinople and a few distant provinces, which the Persian king was unable to conquer owing to the strength of the Byzantine navy. When the sea power of Constantinople enabled her ultimately to drive back the Persian invader, both nations were completely exhausted by their long war.

5. The suffering of the provinces had been terrible during the contest, and when it was over they were forced to bear the burden of taxation until the Saracens, under Mahomed, raised the standard of revolt. The Saracens used the sword freely in their conquests, but the misery of the provinces was a still more powerful weapon. It was only natural that the creed of Mahomed should have spread with wonderful rapidity, when converts escaped taxation which those who remained Christian were forced to pay.¹ Before long all the Byzantine provinces, from the Taurus Mountains to Spain, and the kingdom of Persia became a great Saracenic Empire; much of the Balkan Peninsula was also occupied by the new Bulgarian and Servian nations.

¹ C, i., 372.

6. These losses were counterbalanced by two gains. During the reign of Justinian the eggs of the silk-worm were brought from China, and the Byzantines were soon possessed of empire-grown silk.¹ The manufacture of silk became an imperial monopoly and was a most important source of wealth. Again, when the country was suffering from the Persian and Slavonic invasions, it was impossible to continue the distributions of food, and this unwholesome system was abandoned.² The transition from tribute to trade was then effected. Constantinople, from this time, assumed the character of a purely international trading community. Her shipping greatly increased and she ruled the Black Sea and Eastern Mediterranean with her navy. She still retained as provinces the Balkan Peninsula, Greece, Asia Minor, and Southern Italy; also at the north of the Adriatic, Venice and Dalmatia recognised the emperor as suzerain. During the seventh century, the canal connecting the Red Sea and the Nile was rendered useless owing to neglect;³ henceforward Constantinople seems to have directed all her attention to the Black Sea trade route and to Venice.

7. After the change in Byzantine policy, provinces were valued only if they were of assistance to commerce. When the Saracens took possession of Sicily and Crete, the Byzantines appeared to care little, until these islands became nests of pirates who preyed upon their shipping.⁴ The loss of Sardinia was hardly noticed since the commerce of Constantinople with Europe passed by way of Venice, and avoided the Western Mediterranean. Any danger, however, to the preponderance of Byzantium in the Adriatic, such as an attack on Venice in the West or

¹ B, iv., 228 *seq.*

² C, i., 319 *seq.*

³ C, i., 365, 366.

⁴ C, ii., 315, 413.

Dalmatia in the East, caused her to exert herself to the utmost to avert the disaster she feared. Thus when Charlemagne, in 800 A.D., was crowned Emperor of the West, and the nominal suzerainty of the Byzantine emperors over Northern Italy passed away for ever, Constantinople assented to the change, only stipulating that her control of the Adriatic should not be impaired.¹ When an attempt was made to include Venice in the Frankish Empire, a fleet from Constantinople was promptly sent into the Adriatic.

8. A mediæval trading town was formerly called a staple, and, in the past, there have been two kinds of staple. One, a natural staple, owed its trade to its advantageous position. The other, a protected staple, had, and used, the power of compelling others to buy and sell in its market. Constantinople was both a natural and a protected staple. It is possible that, in the not far-distant future, German porters, at the junction of Constantinople, may direct travellers to change for Europe, Asia and Africa. Then, once more, the commercial situation of Constantinople will be properly appreciated.

9. Sea transport has for so long been cheaper than land carriage that it is not easy to realise that in the early Middle Ages it was cheaper and safer to convey goods by land than by sea. Thus, after the Red Sea Canal was destroyed, the Far Eastern trade of Constantinople passed almost entirely through Central Asia to the Black Sea;² and the Western trade passed mainly through Venice, and was thence carried to the various European countries by the valley of the Rhine. No merchant was allowed to trade in the Black Sea without a licence from the Byzan-

¹ D, viii., 231, 232.

² C, ii., 211, 212.

tine emperor ; hence, as far as her Eastern commerce was concerned, Byzantium was a protected staple.¹

10. Although the Byzantines sought to protect their monopoly of commerce, the necessity of protecting industry was no more apparent to them than it was to the English in the middle of last century. The civilisation of the Western peoples was so backward that effective competition did not appear possible. The cost of carriage gave a natural protection in the home market. Also the servile condition of the workers rendered them so insignificant in the eyes of the governing class that their needs were not considered, unless the imperial treasury was immediately affected. Thus when Justinian introduced the cultivation of the silk-worm, he also made the manufacture of silk a government monopoly, although the latter step caused ruin to the workers in Tyre and Beyrout.² Again, at a later date, this Byzantine policy was the cause of the transference of the silk manufacture from Greece to Sicily, where it was fostered and protected by the bitterest foes of Byzantium, the Normans.³

11. In the time of her distress, when her empire appeared to be passing into the hands of the Saracens and Slavs, Byzantium turned her attention seriously to commerce. She reaped a rich reward. In spite of the loss of many of her most fertile provinces, she reigned once more Queen of the Sea. During the eighth, ninth, and tenth centuries immense wealth was accumulated at Constantinople through commerce. Territorial expansion was considered of far less importance than trade, and thus the Bulgarians were allowed to become so powerful that, in the last decade of the tenth century, the Bulgarian kingdom

¹ C, iii., 154.

² B, iv., 238.

³ B, vi., 73 ; C, iii., 163, 164.

embraced most of the Balkan Peninsula and Greece, and extended from the Black Sea to the Adriatic. This must, however, have ultimately proved fatal to Byzantine trade; accordingly Byzantium put forth her strength and, in 1018, became once more mistress of the lands to the south of the Danube.¹

12. The Byzantine army was always largely composed of foreign mercenaries. The imperial bodyguard was composed of Englishmen and their fellow-countrymen, the Warings. Although the Varangian Guard was distinguished for its loyalty, the Byzantine Empire was not always equally well served. Three hundred Norman mercenaries took part in an expedition, organised by the Byzantine Government, for the recovery of Sicily in 1038.² Byzantium failed to recover her lost province; before long, however, not only Sicily but the neighbouring Byzantine province of Southern Italy had passed into Norman hands. Emboldened by success, the Normans conceived the project of conquering the Byzantine Empire, and, in 1081, they sailed for the Dalmatian coast.

13. Misfortunes at this time were being poured upon the empire that had grown so used to prosperity. In Asia Minor, the Seljouks, a barbarous tribe from Central Asia, had been converting the most valuable province of the empire into a wilderness, which they called the Kingdom of Roum. The best part of the Byzantine army was destroyed by the Seljouks at the battle of Manzikert, in 1071.³ The Emperor Alexius had a difficult task before him when he learned that the conquerors of Southern Italy, kinsmen of those who had but recently reduced the English to subjection, were about to invade the Eastern Em-

¹ C, ii., 380 *seq.*

² C, ii., 413.

³ C, iii., 31 *seq.*

pire. A disgraceful peace was made with the Seljouks, and the emperor marched to meet the Normans in Dalmatia.¹

14. The danger was so great that the Emperor Alexius turned to Venice for aid. He reminded the Venetians of the close ties which had always bound them to Constantinople. The trade of Venice with Constantinople was endangered by the Norman invasion,² and the Venetians allied themselves with the Byzantines; but, in accordance with their usual custom, they asked for a great reward. After a war which lasted four years the Norman danger temporarily passed away; the Venetian treaty, however, remained and proved ultimately more disastrous to Constantinople than the attack of any foreign foe.

15. The Byzantine treasury was replenished by a Customs duty of about 10 per cent. levied on both imports and exports.³ These taxes on commerce were levied for revenue; they were so small in comparison with freight and other charges on commerce that they had little protective character. They were, in this respect, similar to all mediæval tariffs. The Venetians asked for, and obtained, as the price of their alliance, exemption from these duties, and the concession of a part of Constantinople, in which their merchants might live.⁴ Constantinople depended for her existence on trade as Great Britain does on production. These privileges were therefore not unlike those a foreign manufacturer receives when he is allowed to sell his goods freely in the British market, whilst his British competitor is required to pay for all the expenses of the country, by rates and taxes which must ultimately form part of the price of English-made goods.

¹ C, iii., 72.

² C, iii., 74, 75.

³ C, iv., 77.

⁴ C, iii., 152, 153.

16. Freed from taxation, the Venetian could sell more cheaply than the Byzantine, just as German goods are sold for less than home-made goods in the British market. Naturally, as Venetian trade increased, Byzantine trade decreased. The area on which taxation could be levied thus became smaller. To increase the taxation on Byzantine commerce was to increase the disease which was killing it. Retrenchment and reform was the only possible policy. The imperial army and navy cost large sums of money ; they were sacrificed in the interests of retrenchment and reform.¹ Then the empire paid a terrible penalty for its folly.

¹ C, iii., 157, 158.

IV.

FISCAL MADNESS.

CONSTANTINOPLE.

1. The folly of Constantinople has been repeated by Great Britain.
2. Britain gives greater privileges to foreigners than those Constantinople gave.
3. Constantinople starved her army and her navy.
4. Events move more rapidly now than in the past.
5. To disarm is to invite attack.
6. The Seljouks blocked Eastern trade and caused the Crusades.
7. The Crusaders were unwilling to recognise Constantinople's claim of supremacy in the East.
8. Commercial ambition made the Venetians join the Crusades.
9. Constantinople unsuccessfully tried to withdraw the Venetian privileges.
10. Constantinople tried to isolate Venice by opening the Danube route.
11. The conquest of Egypt was the object of the fourth Crusade.
12. Venice, however, induced the Crusaders to attack Constantinople.
13. The greatest city in Christendom was ruined by the Crusaders.
14. Venice gained her object, but Genoa became a rival.
15. Weakened by Christians, Constantinople was taken by the Turks.

1. WHEN, in 1860, Great Britain ratified Cobden's commercial treaty with France, it was supposed that France gave an equivalent for the great concessions she received, but no one has ever imagined that the advantages Great Britain obtained were of vital importance to

her. On the other hand, when Byzantium gave similar advantages to the Venetians, she did so because it seemed to be the only way to save her very existence. Again, at a later date, Byzantium extended similar privileges to the Pisans and Genoese, because she thought that several powerful neighbours, owing to their mutual jealousies, would be safer than one;¹ but it is difficult to give any intelligible reason for the action of Great Britain, when she allowed all foreign nations free access to her home market, after Cobden's French treaty had been signed.

2. Besides this, the privileges the Italian cities gained were not as advantageous to them as British free importation is to the foreigner, since the Black Sea trade was kept a close preserve for Byzantine merchants, and the importation of food stuffs remained an imperial monopoly.² But whereas formerly all the commerce of Constantinople could be taxed to support the Byzantine navy, after the treaty, part of that commerce contributed towards the creation of a Venetian fleet. So, now, on English exports to Germany, a duty is levied which helps to build the German navy whilst German goods have free entrance to the English market.

3. The Venetian treaty lessened the native commerce, which alone could be taxed, and it became necessary to increase the amount paid by the native merchants. This course, however, not only increased the advantages the Venetians had obtained, but also drove the Eastern Black Sea trade along the Danube route, where it was able to avoid the Byzantine custom-house officers.³ The internal administration of the empire was grossly extravagant, but there were such powerful interests involved that, in this

¹ C, iii., 152, 153.

² C, iii., 154.

³ C, iii., 173, 174.

direction, retrenchment and reform were impossible. There remained the army and the navy, and these were starved in the interests of economy.¹ Since, even while the growth of the German navy causes alarm, British statesmen are engaged in trying to pay for the system of free imports by lessening the military and naval expenditure, the sequel of the Byzantine experiment should be of interest to Englishmen.

4. Events moved slowly in those far-distant days. Rome was not built in a day, nor Byzantium ruined in a night. A decade to-day is equivalent to a century in the Middle Ages. Then wars dragged on for decades, and towns were besieged for years. Now war effects its purpose in a few months. The rapidity with which things alter at present and in the past is as the speed of an express train to the pace of a mediæval ox-waggon toiling along the road. This must always be kept in mind, when history is studied for the light which it can throw on the present.

5. History seems to show that to disarm is to invite attack, and thus to create those circumstances which make disarmament inadvisable. But, if it is possible to say that one period is more inappropriate than another, Constantinople began to weaken her army and navy at a most inauspicious time. The Seljouk Turks were rapidly overpowering the decaying empire of the Saracens. The Normans in Southern Italy, Genoa and Pisa in the Western Mediterranean, and Venice in the Eastern Mediterranean, were fast becoming important naval powers. Already the Italians had established commercial relations with the Saracens in Syria and Egypt, and had thus

¹ C, iii., 157, 158.

become trade rivals of, instead of dependants on, Constantinople. The Norman kingdom of Sicily and Southern Italy also aimed at obtaining its share of the good things which came from the East.

6. Religion, politics, and commerce were formerly so closely intertwined that it is almost impossible to disentangle them. For example, the pilgrims to the Holy Land were not above mingling business with their devotion; and, since pilgrims were encouraged under the tolerant rule of the Saracens, the Easter fair at Jerusalem became an important commercial event for Europe.¹ The Seljoukian nomads spread desolation in their path, and their invasion of Syria altered the happy relations which existed between Mahomedans and Christians. Anarchy in Egypt increased the difficulty of obtaining Eastern products, and thus the Seljouk made his presence felt throughout Europe. To open the East to religion and commerce, the first Crusaders marched to Constantinople through Hungary, which had a little while before accepted Christianity. Thence, crossing the Bosphorus, they made their way to the Holy Land.

7. To the polished Byzantines the Crusaders appeared almost as uncivilised as the barbarians, against whom their ancestors had fought. The leaders of the Crusades were with difficulty made to understand that historically Syria was a province of the Byzantine Empire, and that, if restored to Christendom, it would again owe allegiance to a suzerain at Constantinople. The followers pillaged the lands through which they passed, and it was only with the greatest difficulty that peace was maintained.² The maritime Italian cities sent their fleets to help the Crusaders.

¹ C, iii., 95, 96.

² C, iii., 98 *seq.*

The Venetians, however, were reluctant to respond to the Pope's appeal until they realised that there were important commercial advantages as well as spiritual benefits to be gained from participation in the Crusades.¹

8. In the first Crusade, the Venetian fleet was wintering at Rhodes, when their rivals, the Pisans and Genoese, came in sight. Both fleets were ostensibly sailing against the infidel, but, the moment they met, they cleared for action, and, after a sanguinary fight, the Western Italians were defeated. Whatever the ostensible object might be, the Venetians did not intend rivals to be first in the field, when commercial privileges were to be obtained. During the Crusades the Italians rewarded themselves for their piety by gaining concessions and fiscal advantages in the seaport towns of the Frankish kingdoms, which were carved from the dominions of the Saracens.²

9. Tradition says that the founders of Venice were Italian refugees who fled to the lagoons to escape from the fury of the Huns. Their history seems to show that the invasions of Italy by Germanic tribes had infused a strong strain of wholesome Northern blood into the veins of these refugees. It was no weak Southern race that planned and built up the might of Venice. Eager to live peaceably, if this advanced their commerce, but fully prepared for war, if they saw a chance of greater gain, unmoved by gratitude for the weak folly of their great neighbour, the Venetians had but one object—the aggrandisement of Venice. To counterbalance the influence the Venetians had acquired by the commercial treaty, similar treaties were concluded with the Genoese and Pisans.³ This subtle

¹ H, i., 283 *seq.*; aaa, 84 *seq.*

² H, i., 301.

³ C, iii., 152.

policy ultimately produced the hoped-for war between the Italian cities, but before it began Byzantium had been ruined. In 1171 more violent measures were taken, but after a war with Venice the Venetians, who had been expelled from Constantinople, were reinstated with their former privileges.¹

10. Before the Byzantines tried to expel the Venetians by force, they engaged in war with the Hungarians in order to gain control of the Danube route.² Had the Byzantines been completely successful, they could not only have stopped the Eastern trade from evading the Byzantine toll, but after levying the toll, they could have sent the trade along the Danube into Europe, and thus dispensed with the services of the Venetians. On the other hand, the Venetians made strenuous efforts to establish direct trade relations with Syria and Egypt,³ which, had the Red Sea Canal been repaired, might have diverted Eastern trade from the Black Sea. Thus Venice and Constantinople became commercial rivals instead of commercial allies, and Venice determined that Constantinople must be destroyed.

11. In the century which followed 1095, three Crusades passed through the Empire. Their passage was attended with much friction and loss to the Byzantines, but the service they rendered in weakening the Seljouks doubtless more than compensated for any injury they inflicted. Some of the Crusaders, in the third expedition, went to Italy, and thence took shipping in which they sailed for the East. The conquest of Egypt was the object of the fourth Crusade. Venice contracted with the Crusaders in March, 1201, to furnish the transports they would require.

¹ C, iii., 180 *seq.*

² C, iii., 173 *seq.*

³ H, i., 283, 284.

On 13th May, 1202, Venice signed a secret treaty with the Sultan of Egypt, undertaking that the Crusaders should not attack Egypt, and receiving important commercial advantages in return. The Crusaders had arranged to assemble at Venice in June, 1202. When they met at Venice, the full sum the Venetians demanded for the transports was not forthcoming and the expedition could proceed no farther.¹

12. The Doge of Venice suggested that, instead of a money payment, the Crusaders should render Venice the service of reconquering Zara, a revolted city on the Dalmatian coast. The Pope forbade the change in destination, but, in spite of the papal opposition, the Crusaders accepted the proposal. Zara was taken, and then the crafty Venetians proposed that the Crusaders should espouse the cause of a dethroned emperor, and sail to Constantinople instead of Egypt. This proposition was agreed to, and in 1203 the Venetian fleet appeared before the sea-wall of Constantinople. The policy of neglecting the Byzantine fleet produced the natural result; Constantinople was at the mercy of the Crusaders.

13. The Venetian project succeeded too well; the usurper fled, and the emperor, for whose sake the Crusaders were ostensibly fighting, was placed upon the throne. This was not what either Venice or the Crusaders desired. Venice wished to destroy a commercial rival, and the Crusaders to pillage the richest city in Christendom. It was not difficult to find an excuse for renewing the attack on Constantinople. The Crusaders demanded a large sum of money from the restored emperor to pay them for their services. The Byzantines had not enough to pay

¹ B, vi., 385 *seq.*

the amount demanded, and the city was again attacked. Then the Crusaders obtained their reward in the sack of the city they had stormed, and Venice ruined her former benefactor and ally.

14. A Crusader became Emperor of Constantinople and Frankish kingdoms were carved out of the empire. The Doge of Venice assumed the title of lord of three-eighths of the Byzantine Empire, and regained the commercial privileges which Venice had previously enjoyed. Gradually, however, the Greeks overpowered the Franks, and, after a lapse of fifty years, Greek emperors once more sat on the Byzantine throne; but the new empire was merely the shadow of the old. Commerce and wealth had vanished. The Genoese followed the Venetians, and not only securely established themselves in Constantinople, but obtained entrance to the Black Sea, and took from the Greeks their monopoly of its valuable trade.¹

15. With her commerce the glory of Rome on the Bosphorus passed away. Her most important industry, the manufacture of silk, had been allowed to pass into the hands of the Italian Normans, and other industries had been annihilated by the Seljouk nomads. The temporary weakness of the neighbouring Mahomedans protected her for awhile; but for this, her absorption in the Turkish Empire might have occurred at any moment. When the Othmans infused fresh life into the Turks, her end came. On 29th May, 1453, the last Greek emperor received the sacrament in the Cathedral of St. Sophia, which in a few hours was destined to become a mosque; thence he went to the breach in the walls, and, over his dead body, the Turks entered Constantinople. Emperor and empire

¹ C, iii., 353.

perished together, and in dying left their murderers, Genoa and Venice, the fatal legacy of international trade, which was not regulated in the interest of home production.¹ Their legacy avenged them ; not till last century has Italy been able to escape the consequences of that fatal gift ; then, at last, she was able to become a united nation.

¹ c, i., 253 *seq.*

V.

THE FIRST EUROPEAN BROTHERHOOD.

THE FRANKS.

1. Universal free trade would not increase production.
2. Likeness between national life and home life.
3. Attempts to connect religion and unregulated trade.
4. Cosmopolitanism has always led to war.
5. Popes and emperors claimed suzerain rights over Europe.
6. This contest weakened the imperial power.
7. The English were the first to unite economically and form a nation.
8. The Frankish Empire was soon divided into three parts.
9. The middle kingdom, Lotharingia, failed to become a nation.
10. The West Franks were weakened by the Normans.
11. The East Franks absorbed Lotharingia.
12. The feudal States of the divided Frankish Empire acknowledged the suzerain rights of the German emperor or French king.
13. The French kings succeeded in unifying France politically.
14. When Eastern trade was stopped, European manufactures were developed.
15. Causes which aided or retarded the development of European nations.

I. MANY, who doubt the wisdom of unregulated free importation, are ready to weaken their case by admitting, without much thought, that they would be in favour of free trade if it were only universal. If they say this, because they think that England's economic superiority is

so great that, with universal free trade, she could control the world's production, they are expressing patriotic sentiments which are not likely to be echoed by foreigners. If, on the other hand, they think that, with universal free trade, the economic efficiency of the world would be increased, it is well to remember that this cannot be regarded as an axiom, but requires proof. It is admitted that, without artificial barriers, both capital and labour would flow to the more fertile regions. There would thus be a tendency towards over-population in favoured lands, whilst the more sterile countries would become depopulated. In this way England, fertile in coal, has doubled her population during the last sixty years, whilst the population of Ireland is little more than half what it was in 1840. It is difficult to understand how the efficiency of the whole can be increased by the ruin of the production of the less advantageously situated parts.

2. Again, there is a form of socialism which contemplates the destruction of home life by placing the young in the care of the State. To many the very idea is revolting. The nation is a collection of homes. In these small units the child learns domestic duties, which form the best preparation for the national duties he has to undertake in later life. If home life is destroyed, the nation will ultimately share the fate of the homes of which it is composed. In much the same way, by learning national duties, men are enabled to grasp those international laws which should govern humanity. The destruction of national life would be a fatal blow to the brotherhood of man. An appeal to history is the best means of determining whether the national principle is, or is not, more likely to add to the happiness of mankind than the cosmopolitan theory of *laissez faire*.

3. As the Doge of Venice once persuaded the Venetians that they would further both their commercial and their religious interests by taking part in the Crusades, so Cobden's eloquence convinced England that her commerce and spiritual welfare were bound up in free importation. Cobden had the power of appearing to prove that the most worldly objects were, in reality, the most spiritual, but it is to be hoped that mankind has outgrown belief in the childish fallacies he constantly expressed. Such a Pecksniffian peroration as the following ought to be impossible to-day: "I can prove that we advocate nothing but what is agreeable to the highest behests of Christianity. To buy in the cheapest market, and sell in the dearest. What is the meaning of the maxim? It means that you take the article which you have in the greatest abundance, and with it obtain from others that of which they have the most to spare; so giving to mankind the means of enjoying the fullest abundance of earth's goods, and in doing so, carrying out to the fullest extent the Christian doctrine of doing to all men as ye would they should do unto you."¹

4. Thrice—under Charles the Great, Charles V., and Napoleon—Europe for a short while lost its national character and became a brotherhood. On each occasion the brotherhood was forced upon reluctant nations by the sword, and was speedily dissolved by the same weapon. When philosophers preach the brotherhood of man and universal free trade, these painful experiences should be remembered. The first brotherhood was the Frankish Empire of Charles the Great. Three sovereigns—Charles Martel, who at the battle of Tours rolled

¹ Y, i., 385.

back the Saracenic tide which threatened to flow over Western Europe, Pipin, and Charles the Great—built up a vast empire which included the greater part of Europe. The sacred sanction of religion was given to this undertaking when, in 800 A.D., Charles was crowned at Rome by Pope Leo. Not until 1806 A.D., when the West Franks, under Napoleon, were apparently doing what the East Franks had failed to accomplish, did the German sovereigns abandon the title of Holy Roman Emperor.¹ The coronation day of Charles was the birthday of mediæval Europe.

5. When the Pope invited the Franks, he was moved by the desire to fill the hungry mouths of his idle Roman citizens. In the eighth century, the godless Lombards threatened the estates of the Church. The Byzantine suzerain was preoccupied with the commercial interests of Constantinople, hence the Catholic Frank became the natural protector of the Holy See, and at first the popes willingly acquiesced in the succession of the Frankish kings to the temporal power of the Emperor, since it seemed to ensure their own succession to the spiritual power.² But at a very early date the popes laid claim to both temporal and spiritual jurisdiction, and thus caused a struggle which lasted for centuries. The contest was in the main between Emperor and Pope, but it was not entirely confined to them. When they attempted to unify the lands over which they ruled, one of the first tasks of mediæval kings was to free their peoples from the overlordship claimed by and tribute paid to the popes of Rome. In England the contest began in the twelfth century, shortly before the murder of Thomas à Becket,

¹ M, 82.

² E, ii., 270 *seq.*

and did not end until 1534, when Henry VIII. forced the English clergy to acknowledge his supremacy.

6. The strife between emperors and popes was complicated by the fact that, until the fourteenth century, the emperors tried to make good their claim to be the rulers of Italy. The Italians strenuously resisted absorption in the Germanic confederation, although they had no centre round which to unite. Rome was their natural centre, and the ruler of Rome their natural king, but an idle Roman populace, who were ruled by priests and looked to Christendom for their daily bread, made unification in this way an impossibility. The power of the emperor in Germany was weakened by his struggle with the Italians; in the Middle Ages the extension of royal authority was the method by which national unification was accomplished, hence Italy and Germany were not unified until last century.

7. To create a modern nation it was necessary to make home production of raw material, manufactures, and commerce interdependent. Owing to her insular position, it was not difficult to connect agriculture, industry, and trade in England, and thus, at a very early date, England became a nation, though the unification of England and Scotland was not completely accomplished until 1707. Abroad the task was much more complicated. Where the rulers were weak, international middlemen obtained power in the free cities, and interposed an almost insuperable obstacle to national development.

8. The brotherhood of Charles the Great ended, as it commenced, in war. He was hardly in his grave before the conflict began. The flower of the Frankish army perished in the war which was ended by the treaty of Verdun in 843. By this treaty Charles's empire was

divided between his three grandsons—Charles the Bald obtained France, or the land of the West Franks ; Louis the German became King of the East Franks ; whilst the eldest grandson, Lothaire, received the title of emperor and a middle kingdom, Lotharingia, which included Northern Italy, Switzerland, France east of the Rhone, Elsass, Lothringen, Belgium and Holland. Lotharingia was the wealthiest of the three kingdoms.¹ It contained four imperial cities—Rome, Milan, Arles, and Aachen—and the great trade routes from the East by way of Venice and Genoa.² The Rhone and the Rhine passed through it.

9. Lotharingia had, however, two fatal defects. Like the modern Swiss, Lotharingians had no national language,³ and their dependence on foreign trade hindered the growth of patriotism. It was only natural that Lotharingia soon became three States, and that the efforts of the Dukes of Burgundy failed to reunite the many small States into which it was ultimately divided. It is also natural that history should record a long series of wars between the East and West Franks for the possession of the fragments of Lotharingia. As late as 1870, Germans and Frenchmen killed each other in order to determine whether a part of Lothaire's kingdom should be called Lothringen or Lorraine.

10. The civil wars, which destroyed the Frankish army, gave the people of the North an opportunity they were quick to seize. During the latter half of the ninth century the Normans invaded France, and established themselves in Normandy. In 885 they nearly took possession of Paris,⁴ and in 1066 they added England to their dominions.

¹ K, i., 261 *seq.*

² W, 12, 13.

³ K, i., 264.

⁴ K, i., 242.

A great Norman Angevin kingdom was formed, which stretched from the Cheviots to the Pyrenees. Had the Normans confined their energy to Western Europe, they would possibly have become a great nation, but they dissipated their strength in conquests in Southern Italy, Sicily, and the East, hence, in the end, the English, French, and Italians absorbed their conquerors.

11. Meanwhile the West Franks were so enfeebled by the Norman invasion that they could offer little resistance, when the East Franks annexed Lotharingia and a German assumed the title of Holy Roman Emperor. In the thirteenth century the expansion of the East Franks reached its climax,¹ but in the sixteenth century the greatness of Germany seemed to revive again under the Emperor Charles the Fifth. Then a united France confronted a disunited Germany, and the expansion of France, in its turn, culminated in the Napoleonic Empire. Since the unification of Germany, the tendency of events appears to have changed. In 1870 Germany regained a part of Lotharingia. There are plenty of precedents in history, which can be quoted by those who believe that Germany wishes to bring under her influence Belgium and Holland, which formed once the most northern part of Lotharingia.

12. Owing to the strife between popes and emperors, the ruin of Lotharingia, and the weakness of the West Franks, a great number of small States came into existence during the ninth and tenth centuries. These States, practically all but independent, acknowledged the suzerainty either of the French king or of the German emperor. As far as England was concerned, her kings were independent of the Crown of France, they also claimed to be

¹ M, 189.

overlords of the kings of Scotland ; but they did homage to the French king for their possessions in France. War might, and did, break out between the overlord and his men, or vassals, but even this did not necessarily dissolve the sacred tie which bound them.

13. It was mainly by means of their suzerain rights that the French kings succeeded in unifying France. They constantly added the lands of their vassals to the royal domain, that is to that part of France over which they had direct control. At the peace of Verdun in 843 the province of Flanders on the Belgian coast was assigned to Charles the Bald.¹ Economically this province became closely connected with England. For a long while it was of the gravest importance to England that the French should not control Flanders, but such was the respect paid to the sacred right of the suzerain that English kings were forced to manufacture a claim to the throne of France, in order to have a plausible excuse for interference on behalf of the Flemish.²

14. Until the Seljouks stopped trade with the East, Europe was accustomed to depend largely on Eastern products. The Crusades represent the vigorous efforts made by Europe to restore the communication. The complete stoppage of an external source of supply gives the greatest stimulus to home manufacture. Thus the invasion of Seljouk nomads had the effect of rapidly developing European industry, particularly on or near the trade routes in Lombardy, in South Germany, and in Flanders.³ The development of industry led to a corresponding development of trade which, in the North, was

¹ K, i., 265 ; Q, 270-272.

² f, iii., 343.

³ M., 163-165 ; W., 33 *seq.*

largely monopolised by the Hanseatic League of North German cities. Thus, whilst the imperial power was too weak or too preoccupied to unite the national interests of Germany, free towns arose, some manufacturing, some trading, but all ruled by middlemen or merchants. These towns became so strong that their suzerains dared not interfere with them. Customs duties were levied, as in Constantinople, on imports and exports, but these were levied for revenue, not for protection. The mediæval fiscal system, like modern free trade, cared little for the interest of the worker.¹

15. The rudimentary condition of English industry and commerce enabled her practically to begin life as a united nation. The early subjection of the French communes enabled the French kings to unify France, whilst both causes somewhat helped to promote the unification of Spain. On the other hand, the French kings failed to reduce the communes of Belgian Flanders to submission, and this province has led her chequered life apart from France. The lot of Germany and Italy has been the hardest; for centuries they have had to wait for deliverance from the worst foe to national union, the international trader.

¹ A, bk. v., ch. ii., art. 4; oo, 176.

VI.

FREE FOOD, FREE TRADE, AND DISUNION.

THE ITALIAN CITIES.

1. Adam Smith on Italian history.
2. His failure to distinguish between production and trade.
3. List's criticism.
4. Italy's metropolis was cosmopolitan and unproductive.
5. Mr. Bryce's description of the Romans.
6. Southern Italy was agricultural, and Northern Italy industrial and commercial.
7. Disunion in Northern Italy.
8. Wars between trading and producing towns.
9. Wars between trading towns.
10. This disunion ruined Italy.
11. Rulers of Rome gave the East to Portugal and the West to Spain.
12. Italian wealth was originally derived from production.
13. Florence was at first industrial and democratic.
14. Florence allowed her weavers to depend on English wool.
15. England forced Florence to abandon weaving.
16. Florence failed to retain the secondary industry of finishing cloth.
17. Free importation ruined Italy.
18. Machiavelli's description of Italy's ruin.

I. "ITALY is the only great country of Europe which seems to have been cultivated and improved in every part, by means of foreign commerce and manufactures for dis-

tant sale. Before the invasion of Charles VIII., Italy, according to Guiccardini, was cultivated not less in the most mountainous and barren parts of the country than in the plainest and most fertile. The advantageous situation of the country, and the great number of independent States, which at that time subsisted in it, probably contributed not a little to this general cultivation. It is not impossible, too, notwithstanding this general expression of one of the most judicious and reserved of modern historians, that Italy was not at that time better cultivated than England is at present. The capital, however, that is acquired to any country by commerce and manufactures, is always a very precarious and uncertain possession, till some part of it has been secured and realised in the cultivation and improvement of its lands. A merchant, it has been said very properly, is not necessarily the citizen of any particular country. It is in a great measure indifferent to him from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and, together with it, all the industry which it supports, from one country to another. No part of it can be said to belong to any particular country, till it has been spread, as it were, over the face of that country, either in buildings, or in the lasting improvement of lands. No vestige now remains of the great wealth said to have been possessed by the greater part of the Hanse Towns, except in the obscure histories of the thirteenth and fourteenth centuries. It is even uncertain where some of them were situated, or to what towns in Europe the Latin names given to some of them belong. But though the misfortunes of Italy, in the end of the fifteenth and beginning of the sixteenth centuries, greatly diminished the commerce and manufactures of the cities of Lombardy and

Tuscany, those countries still continue to be among the most populous and best cultivated in Europe.”¹

2. This passage from the *Wealth of Nations* deserves careful attention from all who wish to understand Adam Smith. It illustrates his command of simple and effective phrases, such as “A merchant is not necessarily the citizen of any particular country,” which memory retains when, perhaps, his main argument is forgotten. The condition of industry, in 1776, accounts for his assumption that “commerce and manufactures” produce the same effect upon a nation. Manufactures were then still dominated by the middleman. In the *Wealth of Nations*, Adam Smith wrote that “the capital of the wholesale merchant is generally sufficient to replace that of many manufacturers,”² and the handloom weaver could, perhaps, remove his industry almost as easily as the merchant. There is, however, no excuse for making this mistake at the present time. Since the *Wealth of Nations* was written, manufacture has been as firmly anchored to national soil as agriculture.

3. To the great German economist, List, it seemed incredible that Adam Smith should confess that he was almost entirely ignorant of German and English commercial history, for the Hanse merchants did not finally lose their privileges in London until the reign of Queen Elizabeth. List mentions four English writers from whom Adam Smith might have obtained information on this subject.³ But the statement that “the great number of independent States” in Italy contributed to the development of Italian prosperity is even more astounding.

¹ A, bk. iii., ch. iv.

² A, bk. iv., ch. v., Digression.

³ L, 20, 21.

Adam Smith was apparently anxious to support the paradox which he enunciated in the first chapter of the *Wealth of Nations*, that division produces strength. He was well advised to touch but lightly on Italian history, for his paradox would hardly have received support from the true story of Italy's past. Charles VIII. was actually invited by Italians to invade Italy, owing to the jealousies and conflicts which their divisions had created.¹

4. It was at the same time Italy's glory and misfortune to possess Rome. Her great historic past should have made the Italian metropolis a centre round which Italians could have at once united, but the curse of unearned food rested upon the city. Mr. Bryce will not be suspected of any aversion to supplying cheap food from abroad, even if its introduction is paid for by the ruin of home agriculture, and the most serious depreciation in the value of the nation's land. From his *Holy Roman Empire* the following description of Rome in the Middle Ages is taken.² It is not an exaggerated picture drawn by one who is opposed to the principle of dependence on the foreigner.

5. The inhabitants of Rome belonged to three classes: the military, "divided into factions headed by three or four great families whose quarrels kept the town in incessant bloodshed"; the clergy, "a host of priests, monks, and nuns, attached to the countless churches and convents"; and the common folk, "a poverty-stricken rabble, without trade, without industry, with little municipal organisation to bind them together". "As there was no industry there was nothing that deserved to be called a citizen class." The real ruler of Rome, the Pope, was

¹ G, iv., 17, 18.

² I, 286, 297, 298.

“very often a member of one of the great families, and, as such, no better than a faction leader at home, while venerated by the rest of Europe as the Universal Priest”. As for the emperor, who claimed Rome as the metropolis of his empire, “his phantom authority did little more than furnish a pretext to the Colonna and other Ghibeline chieftains for their opposition to the papal party”. The defence of Rome was in the Campagna, the neglected district that surrounded the city. Here were bred, not sturdy yeomen, who might have fought for their city, but the deadly mosquitoes who carried the germs of Roman fever. In all ages the cosmopolitan has relied on nature, and, in this case, the policy was partially successful. When the emperors entered Rome at the head of a German army, to receive, by their coronation, a sacred confirmation of their rights over Italy and Germany, they could not stay long in their metropolis. If they lingered, an unseen foe smote and slew.

6. The States of the Church, which extended from sea to sea across the middle of Italy, formed a barrier which prevented the union of Northern and Southern Italy. The South soon lost its manufactures; even the silk industry, which the Normans had so carefully fostered, fled north.¹ The Spanish, French, and Germans tried to add these lands to their own, and in the reign of Charles V. they became a Spanish possession. Sometimes Sicily and the mainland kingdom of Naples were united, at other times separated, but they were always handed from one Power to another with scant regard to the wishes of the population. They remained in a primitive agricultural condition, whilst Northern Italy developed into one of the greatest commercial and manufacturing centres

¹ B, vi., 73.

in Europe. The natural home of the Southern Italians was Italy. But Italy existed only in the minds of great thinkers like Dante and Machiavelli, until the middle of the nineteenth century. Then at last Italians had a fatherland.

7. Whilst Sicily and Naples passed from one foreigner to another, a number of small but powerful city States divided Northern Italy. Each of these city States had more influence in the world than the southern provinces, and the influence was based on industry or commerce. Two suzerains claimed their allegiance, and thus two great Italian parties arose, the Guelphs, or supporters of the Papal authority, and the imperialists, or Ghibelines, who supported the claims of the German emperor. From this cause these States were injured by the strife of factions, when they were not at war with each other. In general the town artisans were Guelphs, and the country-folk followed their feudal lords and were Ghibelines, but there were many exceptions to this rule.

8. The coast towns, Venice, Genoa, Pisa, etc., were international trading communities, whilst inland towns, like Milan and Florence, became great industrial centres. Florence and Pisa should have been as closely linked as Manchester and Liverpool, but there was no central authority to co-ordinate industry and commerce. When disunion reigned in Italy the chief aim of Pisa was to levy toll on goods which passed her on their way to or from Florence, whilst Florence, above all things, desired to remove this obstacle to her trade by annexing Pisa. And this rivalry was not confined to manufacturing and trading cities; if anything, it existed in a more acute form between one trading city and another.¹

¹ G, ii., 80, 81, 134; I, 296.

9. Suppose that the commerce of Plymouth had been destroyed by a war with Liverpool; that the same fate had befallen Southampton at the hands of Hull; that Bristol had ruined the shipping of Liverpool in a fierce naval battle, and, when other competitors had been annihilated, Hull and Bristol had engaged in a life and death struggle. When these suppositions have been made, some idea can be formed of the contribution to the prosperity of Italy made by the "great number of independent States". Amalfi was ruined by Pisa, Ancona by Venice, the shipping of Pisa was destroyed by Genoa at the battle of Meloria, and when Constantinople, the benefactor and ally of Venice, received her death-blow from Venetian hands, Genoa eagerly competed with Venice for the Eastern trade. Home competition, under the early Italian system of unregulated competition, or *laissez faire*, inevitably led to civil war. From the war with Genoa Venice emerged victorious, but what had she gained?

10. Had Constantinople been supported by the Venetians, she might have continued to keep open a way for European commerce with the East. But, weakened by the Venetian attack, Constantinople became an easy prey for the Turks, who could then close the gates of the East to Venice. Before Genoa and Pisa were crushed they had fought with success against the Saracens in the Western Mediterranean.¹ On Italy's divisions and consequent ruin Spain built up her sea power. The foreigner always gains by disunion at home. Shut in on the east by the Turk and on the west by the Spaniard, the commerce and prosperity of Venice faded away, and, under

¹ N, 11-15.

the yoke of the foreigner, both Venice and Genoa learned the misery which disunion ultimately brings in its train.

11. English economists have grasped the idea that Italian prosperity disappeared when the Turk barred the old road to the East, and the Iberian nations, Spain and Portugal, obtained the monopoly of trade with the Americas and with the East by way of the Cape of Good Hope. It does not require much study to discover this. It is merely a description of the way in which the ruin of the Italian cities was accomplished, not an explanation of the reason why they were not able to avert this ruin. To give the reason is to condemn unregulated trade, it is, therefore, important that Englishmen should not be content with the mere description—Columbus, a Genoese, discovered America, and a Pope, ruling in Rome, gave Spain exclusive rights in the lands an Italian had found. An earlier Pope gave Portugal the monopoly of trade in that Far East which a Venetian, Marco Polo, had first explored. This illustrates the condition to which unregulated commerce reduced Italy.¹

12. Both the trading and manufacturing cities of Italy originally gained their wealth by production. For example, at first Venice lived on its fisheries and its salt-making industry,² and Florence on its manufacture of home-grown wool. In this early stage, the citizens enjoyed great freedom, and some towns, like Florence, were very democratic; but, as international commerce grew, the rights of the people disappeared. Rich merchants, Doges in Venice, and Medicis in Florence, acquired the power of kings. It is worth noticing that Cobden chose the Medicis as one of the types of merchants into which

¹ P, xxix., 17 *seq.*; xxx., 213 *seq.*

² H, i., 23.

English manufacturers might develop, if they would only support his free-trade policy.¹

13. Florence is an instance of the ruin free trade can cause. Originally a democratic State depending on the home supply of wool, it was also greatly favoured by its proximity to the East, whence dyes and alum were obtained. Alum was absolutely necessary in the dressing of the finer kinds of cloth. The Florentines did not understand that, by protecting and improving their home-grown wool, they would not only bind country and town together and thus prevent the discord occasioned by the Guelphs and the Ghibelines, but they would also place the industry of Florence on the firm basis of national production. Hence agriculture and the rearing of sheep was not treated as the chief national concern.² English wool became superior to Italian, and the cloth made by the Flemish from English wool was preferred to Florentine cloth. In the true spirit of the free trader the Florentine imported Flemish cloth, and finished it in Florence. This work was done by members of a mediæval trade guild, the Arte di Calimala.³

14. To compete with this guild, members of the rival Arte della Lana imported foreign wool and improved their methods of manufacture, so that both guilds produced excellent cloth.⁴ This is a temporary improvement which might be expected under *laissez faire*, but as neither guild seriously tried to improve the breed of Italian sheep, their policy did not lay the foundations of true national union and lasting prosperity. Great wealth, however, flowed into the town under this system, and stimulated the desire of the Florentines to obtain access

¹ x, 134.

³ N, 51, 237, 238; G, ii., 174.

² c, i., 515, 516.

⁴ N, 238, 239.

to the sea. They obtained both Pisa and Leghorn, and wealth and prosperity increased by leaps and bounds; but the prosperity was founded on foreign wool, of which England gradually obtained the monopoly.

15. When Florence was at the height of her power England used her monopoly so that the weaving industry in Flanders was ruined, and Florence could no longer obtain either wool or cloth unless she was prepared to become as dependent on English cloth as she had been on English wool. When this crisis arrived, towards the end of the fifteenth century, the Medicis had become international bankers, and, as they ruled Florentine policy, Florence naturally determined to fight hostile tariffs with free imports. She frankly embraced free trade, thus sacrificing her weaving industry for the secondary industries of dressing and dyeing, and for a time this policy brought prosperity to Florence.¹

16. The conquest of Constantinople by the Turks had made it difficult to obtain alum from the East, but fortunately a great supply had been but recently discovered in papal and in Florentine territory. The close relations which existed between the Medicis and the Popes enabled the rulers of Florence to control the supply of this alum.² There was no other known European source from which alum could be obtained, the Medicis, therefore, doubtless thought that the secondary industries of dressing and dyeing were safe, even when the primary industry of weaving was abandoned. Towards the end of Elizabeth's reign a cheap and abundant supply of alum was found in England. The unfinished cloth and the alum were thus in English hands, and the Florentine dressing

¹ R, 493; c, iii., 392, 398, 399.

² G, iii., 292 *seq.*

and dyeing decayed as her weaving industry had done.¹ Here economists can find an excellent illustration of the flow of capital and labour. They flowed from free-trade Italy to protected England, and in London soon only the name of Lombard Street remained to remind Englishmen of their former powerful rivals.

17. In the *Wealth of Nations* Adam Smith states that "every town and country, in proportion as they have opened their ports to all nations, instead of being ruined by this free trade, as the principles of the commercial system would lead us to expect, have been enriched by it".² He must have been almost entirely ignorant of the economic histories of Rome, Florence, Germany and Holland. The disastrous French experiment was not made till after the *Wealth of Nations* had been written, but these four examples should have made him pause. In the beginning of the sixteenth century that great Florentine republican and patriot, Machiavelli, wrote *The Prince*, a book in which he tried to teach a despot to unify his country. He is reported to have said that, if he had taught tyrants how to be strong, he had also taught the people how they could dispense with tyranny.³ Italy sank to worse depths than those he knew of, but his description of the suffering a nation may be forced to endure from disunion and unregulated trade is striking enough.

18. "To evince and demonstrate the courage of an Italian spirit it was necessary that Italy should be reduced to its present condition; that it should be in greater bondage than the Jews, in greater servitude than the Persians, and in greater dispersion than the Athenians; without head, without order, harassed, spoiled, overcome,

¹ U, 307, 359.

² A, bk. iv., ch. iii., pt. 2.

³ Q, 8.

overrun and overflown with all kind of calamity ; and though formerly some sparks of virtue have appeared in some persons that might give it hopes that God had ordained them for its redemption, yet it was found afterwards that in the very height and career of their exploits they were checked and forsaken by fortune, and poor Italy left half dead, expecting who would be her Samaritan to bind up her wounds, put an end to the sackings and devastations in Lombardy, the taxes and expilations in the kingdom of Naples and Tuscany, and cure her sores which length of time had festered and imposthumated.”¹

¹ Q, 159, 160.

VII.

MERCHANT KINGS.

THE HANSEATIC LEAGUE.

1. Origin of the Hanseatic League.
2. Its extent and power.
3. Its wealth was originally derived from production.
4. Its antagonism to the Scandinavian peoples.
5. Its commercial control over Northern Europe.
6. Its victory over Denmark.
7. The secession of the Dutch cities.
8. The Hanse settlement in London.
9. The power of the League in England.
10. Its monopoly of Anglo-Flemish trade.
11. The Hanse merchants' opinion of the English.
12. The League's indifference to the interests of German workers.
13. The League was not a real union.
14. The European nations freed themselves from the Hanseatic yoke.
15. The League suffered in the ruin of Flanders.
16. Incorrect reasons given for the ruin of the League.
17. It shared in the ruin of Germany, which its selfish policy caused.

1. ANARCHY reigned through Central Europe during the middle of the thirteenth century. The authority of the German emperors had almost vanished owing to the exhaustion caused by their attempts to establish German rule in Italy. During this period of anarchy leagues of German cities were formed for mutual protection. In 1254 an ancient confederation of Rhine towns, under the headship of Cologne, renewed their union. These con-

federations were forerunners of a union between Cologne, Hamburg, Bremen, Lübeck and other German cities, which ultimately became the Hanseatic League, an almost independent Power within the German Empire.¹

2. Early in its existence the League included the river and coast towns, both German and Dutch, from the Vistula to the Rhine. For more than 200 years the League possessed the greatest navy in Northern Europe, and controlled its external and much of its internal trade. It claimed the right of choosing and deposing the kings of Denmark; made peace and war at its own pleasure, observing only the formality of acquainting the German emperor with its decision; then it passed away like a dream, leaving English economists, such as Adam Smith, almost ignorant of the fact that it had once played a great part in making the history of their own land.²

3. The commercial navy of the League began its existence, in the usual way, as a fishing fleet. Before the fifteenth century huge shoals of herrings used to visit the entrances to the Baltic Sea; and Scania, a province on the south coast of Sweden, was a most important centre for the fishing industry. During the early part of the Middle Ages Catholic Europe was fed, on its fast days, by fish caught and cured by the German fishermen, who had settlements in Scania. Sailing to towns on the Baltic to sell their fish, the fishermen began to trade between the countries they visited. The island of Gothland, off the east coast of Sweden, was a convenient centre for this trade, and here the important town of Wisby was developed by the Germans.³

4. Denmark and the League were hereditary enemies.

¹ W, 45-64.

² W, 72, 73, 318, 319, 490, 491.

³ W, 56, 81, 89, 90.

The kingdom of Denmark included Scania, Zealand, Fusen and the Danish peninsula. Commanding, in this way, the entrance to the Baltic, the kings of Denmark claimed the right to levy toll on all incoming and outgoing ships, and also on the fisherfolk who used the coasts of Scania. In the beginning of the thirteenth century many of the North German cities were for a time under the rule of Denmark. Though they soon regained their complete freedom, there was always the fear that the independence of the cities might be lost if the Scandinavian countries were to unite. Hence the policy of the League was directed towards the promotion of disunion between Norway, Sweden and Denmark.¹

5. In 1285, after a war with Norway, the German cities obtained such commercial privileges in that country as gave them a monopoly of its foreign trade. The town of Bergen, in which they had a concession, was in the end practically annexed by the League, and in the fourteenth century Russia and Sweden were commercially dependent on the German cities. The Baltic became a sea which was open only to the commerce of the Hanseatic League, and the Northmen, who but a short while before had conquered England and all-but conquered France and the Eastern Empire, were forced to submit themselves to the authority of the rich Hanse merchants.²

6. In the middle of the fourteenth century the Danes tried to free themselves from the German yoke. Wisby was attacked and pillaged, and at one time it looked as if the monopoly of the League would be destroyed, but in 1364 the representatives of seventy-seven cities met at Cologne and determined to prosecute the war with vigour.

¹ W, 65-69.

² W, 81, 82, 88, 91, 138, 157, 158.

Two years later the power of Denmark was completely broken. By a treaty signed in 1370 the League re-established its rights over Scania, obtained control over the entrance to the Baltic, reduced Denmark to complete economic subjection, and obtained the right of interposing a veto on the selection of the Danish king. Not long after this the Scandinavian kingdoms became united under one sovereign, but the union came too late. The Hanseatic League did not relax its hold on the Baltic trade; thus the Scandinavian union was rather political than economic, and the German monopoly of the Baltic was not affected.¹

7. It was most fortunate for the League that the great Danish war occurred at the time it did. A little later not only were the Scandinavians united under a common sovereign, but the League was beginning to split up. Early in the fifteenth century the herring ceased to frequent the Baltic, and the Dutch commenced to catch them in the North Sea. Then a Dutchman discovered a superior method of salting, gilling and packing herrings,² and Amsterdam and other Dutch towns took over the North German fishing industry. The League was a typical middleman's union. As long as it was profitable to be in it, its members were loyal to the union, but when they could derive no further gain they seceded. The Dutch, having no longer an interest in the Baltic, left the League and commenced an independent life under the Dukes of Burgundy.³

8. The prosperity of the League, after the migration of the herring, depended almost entirely on the profits

¹ W, 70-74, 139, 149.

² Z, 26, 27.

³ d, ii., 333 *seq.*; W, 142, 145 *seq.*

its members made as international merchants. Lübeck replaced Cologne as chief town in the League. Its concessions in foreign countries were very numerous. In addition to those in Norway, Russia and Sweden, it had two great establishments in London and Bruges, and smaller ones in other English and foreign seaports. Where Cannon Street Station now stands there was formerly a great warehouse, facing the Thames, in which a colony of German merchants flourished. The merchants were called by the English, Easterlings, and their warehouse, the Steelyard. In this Steelyard the foreign Easterlings lived, according to their usual custom, a life quite apart from the people amongst whom they had settled. They were not allowed to marry, and, in particular, marriage with a native was absolutely prohibited. Nor were they allowed to form trade partnerships with natives, lest they should be diverted from their main object, to suck as much profit as they could from the English for the benefit of the Germans, who had sent them to England.¹

9. In the Baltic countries the Easterlings used force to win the commercial advantages they desired, but in Flanders and England they employed more subtle methods to obtain the same ends. The difference was not unlike that which exists at present between the dealings of Europeans with the natives in their African colonies and their Chinese concessions. German traders from Cologne had acquired rights in England in the reign of Ethelred,² and the Easterlings succeeded to these privileges. During the Wars of the Roses they astutely gave aid to the winning side, and thus obtained additional privileges from the successful king.³ Until the fourteenth century, Eng-

¹ W, 238-243; xx, i., pt. i., 110, 111.

² W, 31.

³ R, 422.

land had a monopoly of the supply of raw wool, Flanders a monopoly of the manufacture of cloth in North-Western Europe, and the Easterlings a monopoly of the trade between England and Flanders.¹

10. At the warehouse of the League at Bruges, the Fleming could buy raw wool from England to weave into fine cloth and thus increase its value eightfold. This cloth he could sell at the same warehouse, and with the proceeds he could buy grain from Denmark, oil from Norway, furs from Russia, or Eastern spices which had passed through Venice and down the Rhine. The Easterling was the general provider of the Middle Ages, and the same causes which have enabled the great London stores to crush rival tradesmen assisted him to ruin his English competitors. Ever since the Jews were expelled by Edward I., English commerce had passed largely into German hands, whilst the Italians had to a great extent conducted her finance.²

11. The Easterling respected the courage of the Englishman but had a supreme contempt for his intelligence. He knew that the English controlled the supply of raw wool, but that he was too ignorant or too idle to weave it or even to carry it across the narrow strip of water which separates England and Flanders. The German merchant laughed when he bought wool and sold cloth in his London Steelyard, because he realised that for every sovereign the Englishman made by growing wool, the Easterling and the Fleming divided seven between them for weaving and carrying it. It was a boast of the Easterling that he bought the skin of the fox in England for a groat and sold the tail, to the English, for a guilder.³

¹ O, 8, 9, 273; xx, i., pt. i., III.

² R, 288-293.

³ V, 98; O, 273.

It is not surprising that Englishmen still talk of the pound sterling, or pound of the Easterlings.

12. The clever Easterling, however, failed to see that national production and national union are forces far stronger than monopoly of trade. When the middleman deals between artisan and farmer in the home market, he performs a useful work, but he is loved by neither class, since they both realise that their gains would be greater if they could deal without his intervention. But, when the middleman buys and sells foreign goods, he is regarded in a different light. He appeals to the selfishness of his customers when he offers Grecian gifts. To the farmer he offers manufactures cheaper than those made at home; to the artisan he sells foreign corn grown under conditions which defy home competition. According to orthodox political economy he confers blessings on both farmer and artisan, whilst he destroys their market and ruins the productive power of their country. The Easterling was a dangerous guest in every country in which he settled, but to no country was his presence ultimately so harmful as to Germany, the country to which he nominally belonged.

13. Although, in the case of the Hanseatic League, trade appears to have promoted union, the League was in reality no exception to the law that unregulated international trade tends to create national disunion. It is true that German cities were associated, but the object for which they united was to amass wealth and not to stimulate German production. Germans who were not members of the League were treated as foreigners. Towns left or joined the League according to their immediate pecuniary interests. When the Dutch towns ceased to derive profit from their membership, they seceded from

the League; and when, later on, their interests clashed with those of their former colleagues, the Dutch did not hesitate to ally themselves with the enemies of the Hanse towns. During the sixteenth century, Danes and Dutchmen fought the Easterlings, and succeeded in breaking down the monopoly which the League had acquired in the Baltic trade.¹ This war was waged at a time when the Dutch and Easterlings both recognised a common emperor in Charles V. In the end Dutch commercial supremacy was founded upon the ruin of the League.

14. Whilst, in other lands, the League was a foreign body which an operation could remove, in Germany it was a cancer eating at the heart of the nation. In the sixteenth century the nations of Europe were taking the shapes which they have approximately retained ever since. As soon as they awoke to the fact that they were nations, they, almost simultaneously, cast off the yoke of the Easterling. The Baltic States had been coerced into subjection by war, and it was by war that they freed themselves from the power of the League. The Russians expelled the Germans; Norway and Sweden regained their commercial freedom; and, once more, Denmark controlled the entrance to the Baltic. Dutch and English merchants sent their ships into the sea which the Easterling had striven to keep as his own preserve.

15. The industry of Flanders and the commerce of Bruges were ruined by English competition; and, during the war of Dutch independence, Antwerp, whither the Easterling had migrated, was ruined even more completely than Bruges had been. The development of English production, under the protective policy of the

¹ W, 265-267, 325, 326, 351 *seq.*

Tudors, created English commerce and shipping, and enabled Queen Elizabeth quietly to expel the Easterling and fill his place with the English merchant adventurer. "The citizen of no particular country" became an object of scorn in every growing nation.

16. The decay of the League is, by some writers, attributed to the discoveries of the Spanish and Portuguese, and by others to the disasters which befel the German cities during the Thirty Years' War. Although Danish control over the entrance to the Baltic may have affected the commerce of Lübeck and the Eastern cities with the new world, the first reason fails to explain why Hamburg and Bremen were unable to compete with Amsterdam. The second reason is even more unsubstantial; it confuses cause with effect. The North German towns had by their sea power shielded Germany from Scandinavian attacks. It was owing to the weakness of these cities that the Swedes and Danes were able to overrun Germany during the Thirty Years' War.

17. It is pitiable to read the account of the desperate attempts made by the League of German cities to remain neutral when the Thirty Years' War was about to begin.¹ They gained nothing by their lack of patriotism. Between the hammer of the Swede and the anvil of the Imperialist they were completely shattered, and the lands they had ruled were given as prizes to the victors in the struggle. If it is urged that the towns were Protestant, and therefore could not oppose the Swede when he invaded Germany, it should be remembered that only thirty years before a Roman Catholic commanded the English fleet which destroyed the Armada, and thus

¹See ch. xiii., §§ 14-18.

baffled the Spanish designs against English faith and freedom. Patriotism, as well as production, had been fostered in protected England and killed in Germany. This is why England prospered in the time of trial whilst Germany succumbed. This, too, is why in 1776, Adam Smith could write that "no vestige now remains of the great wealth said to have been possessed by the greater part of the Hanse towns".

VIII.

A NATION'S CHILDHOOD.

ENGLAND.

1. England was originally less civilised than Europe.
2. English industries are not natural, but acquired.
3. England produced raw wool.
4. Her monopoly of wool gave her manufactures, commerce, and shipping.
5. When England became rich, she abandoned the system that had made her great.
6. Economic union created political union.
7. Even during her civil wars England protected her production.
8. When England had learned clothmaking she sought world markets.
9. Commencement of national life.
10. Growth of national spirit.
11. Importance of the Flemish market in the fourteenth century.
12. Attempt to unite England and Flanders.
13. Anglo-French war.
14. The war ended in a compromise.
15. Abandoned by the English, the Flemish successfully resisted the French.
16. The French have failed to incorporate Flanders.

I. ALTHOUGH England formed part of the Roman Empire, its remoteness, and the separation caused by the Straits of Dover, retarded its development. Before the Norman Conquest, the island was, in turn, the prey of Roman, Saxon and Dane. It was a sort of no-man's

land, which waited for strong men to found in it a race worthy of the island. Under the Norman and Angevin kings it formed the northern and least civilised part of an empire which stretched south to the Pyrenees. Free-trade economists profess to be able to distinguish between natural and artificial industries. Historically, it appears to be impossible to claim any British industry as natural. That eminent free trader, Professor Thorold Rogers, considered that originally the English had no industrial aptitude.

2. "The English race invented very few things in the mechanical sense. It contributed but little, of its own effort, to that progress which lessens cost by invention, by the adaptation of natural laws to the process which manipulates matter and turns it into utility. The English had greater advantages of position than Flanders had. They were fairly free from foreign attack. . . . The Flemings were the weavers of Europe. It is a considerable business to clothe the world, and the Flemings undertook the business with great success. That we learned all our knowledge of weaving from the Flemings is certain, but we were the slowest of pupils. Even in the Middle Ages it was seen that a piece of cloth was worth at least eight times as much as the wool from which it had been spun and woven, and that, if we could catch the art, the wool which bore an export duty of 100 per cent. with ease, *i.e.*, without depreciation, would have borne in the shape of cloth a far higher duty, and, in the absence of duty, a far higher profit. We had extraordinary advantages of climate, but we either did not understand them, or made no use of them. As I have told you before, I do not detect any progress in the arts of invention, under which the process of production was

cheapened, for centuries, except in two arts, paper and glass making. I do not know whence these arts were derived, and how they were improved. But I am sure they were both of foreign origin, and that their development in England was not due to native ability or to native enterprise."¹

3. England was not only in the agricultural state, exporting wool, hides, lead and tin, and importing manufactured goods, but her international commerce was in the hands of foreigners. The Easterlings bought wool in England and sold Flemish cloth to the English. Gascons brought their wines to the English market, and the Italians traded in the island, but the English themselves neither manufactured for foreign markets nor traded abroad.² This was the day of small things in England, which, in course of time, was to be so wonderfully transformed.

4. In the reign of Edward III. English wool was so necessary to Flemish weavers that Flanders was compelled to make her policy coincide with the aims of England. Dependence on foreign raw material had deprived the Flemish of political freedom.³ During the fifteenth century England built up her weaving industry on her monopoly of wool, and replaced the Flemish as the world's clothmakers. Later on, England attacked the maritime supremacy, first of Spain, then of Holland, and finally fought a hundred years' duel with her protected neighbour, France, for sea power and world empire. In all her wars England was ultimately successful, and lastly, towards the end of the eighteenth century, she

¹ O, 273, 274.

² R, 194 *seq.*; xx, i., pt. i., 111.

³ f, iii., 341, 342.

displayed such a genius for industrial invention that she became the workshop of the world.

5. What was the cause of this great change? What transformed the Cinderella of nations into the most powerful empire in the world? The answer, which history gives, is the fostering and protection of productive power. To this principle England was loyal during the many centuries which elapsed before she achieved national greatness. Not until she had risen to a position of supremacy did she spurn the ladder up which she had climbed. England had her troubles like other nations, incessant civil wars between king and barons, and between rival kings. She had to root out of the country the poisonous theory that any foreign pope or potentate had authority within the realm. Before the United Kingdom of Great Britain and Ireland was formed, she had to replace four separate governments by one central government, and to adjust and co-ordinate the economic interests of England, Scotland, Ireland, and Wales. But her protective policy gave her strength to overcome her difficulties. The problem of the economic union of Ireland and Great Britain is still, however, unsolved.

6. In England the production of wool was highly developed before the weaving industry was established, the international commerce of England passed into English hands at a still later date; hence her traders learned, in their youth, to subordinate their interests to the welfare of the nation. It was not therefore necessary for English kings to apply the pressure which other rulers were forced to use in order to reduce the trading cities to the national will.¹ The unification of England was accomplished by

¹ xx, i., pt. ii., 8, 9.

steadily adhering to the principle of fostering and protecting all forms of national work, and the advantage derived from the principle was so great that it overcame the parochial patriotism of England, Scotland, and Wales. Unfortunately this principle was neglected in the case of Ireland, hence the British Isles present the spectacle of a contented and firmly united Great Britain linked to a discontented and impoverished sister island.¹

7. Green's description of the Wars of the Roses illustrates England's tenacious adherence to this principle: "Slowly but surely the foreign commerce of the country, hitherto conducted by the Italian, the Hanse merchant, or the trader of Catalonia or Southern Gaul, was passing into English hands. English merchants were settled at Florence and Venice. English merchant ships appeared in the Baltic. The first faint upgrowth of manufactures was seen in a crowd of protective statutes which formed a marked feature in the legislation of Edward the Fourth. The weight which the industrial classes had acquired was seen in the bounds which their opinion set to the Wars of the Roses. England presented to Philippe de Commynes the rare spectacle of a land where, brutal as was its civil strife, 'there are no buildings destroyed or demolished by war, and where the mischief of it falls on those who make the war'. The ruin and bloodshed were limited in fact to the great lords and their feudal retainers."² This accurately expresses the desires of those who fought, but before the civil wars were over, much damage was done to English producers.

8. During the fifteenth century, England was gradually wresting the manufacture of cloth from Flanders.

¹ bbb, i., 293-298, 338, 339.

² a, ii., 18.

Lancastrian and Yorkist respected this national aim. They both knew that, in the past, England's monopoly of wool had been a powerful national weapon, and they both wished England to have the more powerful weapon—monopoly of cloth. From 1215, when King John signed Magna Charta and England began her national life, until 1461, the end of the reign of Henry VI., the foreign policy of England was dominated by the necessity of securing the Flemish market for English wool. After the middle of the fifteenth century, England's policy changed. She had no longer wool to sell but cloth, and for this she required a world market. As her cloth-making industry grew, her policy widened. In both the early and the later stage of England's industrial development, France was her chief opponent, and the Hundred Years' War was repeated in the eighteenth century. In the first series of wars, England fought for the Flemish market for her wool; in the second, for a world market for her cloth.

9. In his *Expansion of England*, Sir John Seeley has shown that, under various pretexts, Great Britain fought during the eighteenth century a long duel with France for sea power and empire.¹ In the earlier Anglo-French wars there were also pretexts, Guienne, Scotland, or the claim of the English kings to the throne of France, and an underlying motive, namely, the Flemish market and control of the Channel. When King John's English barons refused to aid their overlord in his French wars, and the king lost all his French provinces except Guienne and Gascony, they conferred almost as great a boon upon England as they did when they extorted Magna Charta

¹ b, 36-38.

from England's foreign king. Henceforward England was no longer merely a part of the Angevin kingdom. The commencement of her national life dates from this time.

10. The rapid growth of national spirit is shown in the intense anger felt at the influence Gascons wielded over John's successor, Henry III. The English barons were beginning to forget that, but a few years earlier, their forefathers were foreigners who had settled in England. Henry's son, Edward I., has been described as the first English king since the Conquest. This title has been given him because of his overwhelming desire to unite the British Isles. To attain this object he was ready to sacrifice his continental possessions, but in other respects he did not fully succeed in interpreting the wishes of England. Judged by this standard, his grandson, Edward III., was the first real English king.

11. Whilst Edward I. was trying to create the United Kingdom of Great Britain and Ireland, King Philip of France was pursuing a similar aim on the other side of the Channel. Flanders was a fief of the French Crown, ruled by counts who admitted the overlordship of the King of France; but since the Flemish weavers depended upon England for their wool, the commercial bond between England and Flanders was becoming stronger than the feudal tie which united the Flemish to their suzerain. If Flanders could have been added to the French royal domain, France would have controlled the Channel and isolated England. It was absolutely necessary for the English to be able to sell their wool in Flanders; an attack by the French on Flanders was therefore almost the same as a direct attack on England. Thus England was compelled to try to prevent the unifi-

cation of France, and in return France constantly assisted Scotland in her attempt to remain independent.¹

12. In 1293 Guy, Count of Flanders, secretly proposed to Edward I. that an Anglo-Flemish alliance should be formed, and that this alliance should be cemented by the marriage of his daughter, Philippa, with the Prince of Wales. When King Philip of France heard of these negotiations he summoned Guy to Paris, and detained him until Philippa came to Paris as a hostage for her father. About the same time quarrels between English and French sailors in the Channel led to a sea-fight, in which a large number of French seamen lost their lives, and the sea power of France was seriously injured. Philip summoned Edward, as his vassal in Guienne, to answer for the conduct of the English sailors. Edward did his best to restrain his sailors, but they flatly refused to obey their king's command. The English understood the greatness of the issue better than their king.²

13. In obedience to his suzerain's summons, Edward sent his brother Edmund, who made submission in Edward's name, and in token of submission placed Guienne in King Philip's hands for forty days. When the time had expired the French king declined to restore Guienne, on the ground that Edward had failed to answer the summons in person. Meanwhile Count Guy proposed the marriage of his younger daughter with the Prince of Wales, and repudiated the suzerainty of the King of France.³ Encouraged by the quarrel between France and England, Baliol, King of Scotland, also repudiated, in 1297, the overlordship of King Edward.⁴ An Anglo-French war was therefore inevitable.

¹ K, i., 533-537.

² K, i., 534, 537, 538; a, i., 348.

³ K, i., 538.

⁴ f, iii., 197.

14. Two English armies were sent to the Continent—one to Guienne, and the other, led by Edward in person, to Flanders. But the war was feebly prosecuted, and was ended in 1298 by a truce, which ultimately became a treaty, guaranteeing Edward from French interference in Scotland. In return for this guarantee Edward surrendered his French possessions and abandoned his ally, the Count of Flanders. Edward's action in abandoning French provinces in order to have a free hand in working for the union of the British Isles proves that he was at heart an English king, but when he at the same time gave the French a free hand in Flanders, he also showed that England's kings had much to learn before they could read the minds of the English as the Tudors subsequently read them. Such a treaty, disregarding the most evident interests of England, must have been but a short-lived truce, in spite of Edward's marriage to Philip's sister and the marriage of the Prince of Wales to Philip's daughter, had not the courage of the Flemish saved the situation.

15. In 1302 the Flemish weavers revolted against French rule, and inflicted a crushing defeat on a French army at the battle of Courtrai. Although the chivalry of France partly retrieved this disaster in the following year at the battle of Mons en Puelle, the sturdy resistance of the Flemish weavers, and disputes with the Pope, compelled King Philip to restore Flanders to her Counts.¹ During the reign of Philip and his immediate predecessors the French cities were accepting, with little resistance, the authority of the king.² It doubtless seemed probable that before long the Flemish would follow the example of the other communes. There was, however, an essential

¹ K, i., 540, 543, 544.

² K, ii., 1-45.

difference between the cities. The Flemish depended on a foreign nation for their raw material, and on Europe for markets in which to sell their cloth. Thus the Flemish cities were denationalised by international trade, whilst the other communes were not affected in this way.¹

16. The quarrel with the Pope was over the question as to whether the king was to be supreme in France or share his temporal power with the occupant of the Holy See. This was so grave an issue that it was only natural for Philip to think it more pressing than the resistance of a few insubordinate burghers. Yet in the end France obtained her freedom from papal control, but was never able to unite the Northern Flemish cities to the royal domain. In 1303 Guienne was given back to Edward, and as the Flemish took care that their trade with England was not molested, peace reigned between France and England until 1340. To meet the expenses of his wars King Edward levied export duties on English wool, and taxes on the foreign merchants, whom he protected. Both sources of revenue had an important effect on English industry; the former gave the English a cheaper supply of wool than the Flemish, and the latter was the origin of the duties on importation, which ultimately developed into the English protective system.²

¹ W, 102-104.

² K, i., 535, 545 *seq.*; R, 277, 278; a, i., 323, 369.

IX.

WARS FOR A WOOL MARKET.

ENGLAND.

1. England's systematic preparation for the Hundred Years' War.
2. The French attack on Flanders.
3. King Edward tries to avoid war.
4. Interference with Anglo-Flemish trade made war inevitable.
5. Economic independence made the Flemish politically dependent on England.
6. Edward invades France.
7. Edward revives his claim to the Crown of France to justify the Flemish rebellion.
8. French conquests were lost, but England gained the weaving industry.
9. The Dukes of Burgundy kept the Flemish market open to the English.
10. The Dukes desired peace with England.
11. When the Burgundians ceased to control French policy, Henry V. invaded France.
12. Likeness between the wars of Edward III. and Henry V.
13. In the fifteenth century Flanders became almost independent.
14. When the English made cloth, an Anglo-Flemish commercial war commenced.
15. European merchants were England's allies in her commercial wars.
16. Commercial war can be more terrible than ordinary war.
17. Great Britain has no right to expect mercy from foreigners.

1. ENGLAND and France must both have known that the settlement, made after Courtrai, would be altered as soon

as the French judged that the times were ripe for dealing with the semi-independent Flemish towns. England prepared herself for the inevitable war as systematically as the Boers recently prepared for their fight with the British Empire. By the Statute of Winchester, passed in the reign of Edward I., every Englishman was compelled by law to be ready to defend his country. The rich had to have by them armour and horses, and the poor, according to their condition, bows or crossbows.¹ In this way a national army was created, which at Crecy, Poitiers and Agincourt utterly defeated the chivalry of France, and revolutionised the art of war. England became great, because she believed that it was the duty of the State to protect English workers, and that it was also the duty of English workers to protect the State in case of need.

2. Edward I. was marching north to crush an insurrection of the Scotch when he became ill and died in 1307. During the reign of his son, Edward II., the Scotch regained their independence at Bannockburn, and thus the unification of Great Britain was postponed for nearly three centuries. Edward II. was compelled to abdicate, in 1327, in favour of his son Edward III., a boy of fifteen. Next year, Philip of Valois ascended the throne of France. On behalf of Edward III., Philip's right to succeed was disputed by Edward's mother, but even the queen-dowager must have recognised the weakness of the claim she advanced on behalf of her son. Philip inaugurated his reign by invading Flanders and inflicting a crushing defeat on the Flemish in 1328, at the battle of Cassel.² Two years later, Edward III. took the government of England into his own hands.

¹ e, 464.

² K, ii., 50.

3. It was no sinecure that was undertaken by the eighteen-year-old king. The battle of Bannockburn had to be retrieved, the problem of Flanders was in an acute condition, and an immediate war with France seemed probable owing to the claim which had been made on behalf of the English king. By nature a diplomatist, Edward promptly renounced his claim to the throne of France, and did homage in person to King Philip for his French possessions.¹ He then turned his attention to Scotland, and relieved England from the danger of a Scotch invasion by a victory at Halidon Hill in 1333. Edward III. appears to have wished to follow the policy of his grandfather, and devote his energy to uniting the British Islands. But the king's wishes had to give way to England's needs.

4. The possession of Flanders gave France the shipping as well as the industry of the Flemish. Controlling the Channel, the French were able to help the Scotch and threaten the coasts of England. The French expelled English merchants from Flanders, and the blow was felt throughout England. Edward tried vainly to avert war by diplomatic means, but in the end he was forced to abandon his Scotch designs and turn his attention to the defence of English trade. His first act was to prohibit the exportation of wool to Flanders. This measure, doubtless, inflicted hardships upon the English, although there was still the market of Florence open to English wool-growers, but it was disastrous to the Flemish.²

5. Englishmen can realise the effect produced in Flanders, if they think of what would happen to Lanca-

¹ f, iii., 327, 328.

² f, iii., 331, 332, 341, 342.

shire if the supply of cotton from the United States were suddenly cut off. Commercial and political dependence are closely allied. Driven by hunger, the Flemish expelled their French count and formed an alliance with England. This alliance ultimately included the German princes as well as Van Arteveldt, the leader of the Flemish. The sea power of France was destroyed in a naval battle fought in 1340, off Sluys, the seaport through which goods passed on their way to Bruges, the great wool market of Flanders. But, though the English once more controlled the Channel, on land Edward fared badly.

6. A truce was made with France, Edward abandoned an expedition he had led to Flanders, and returned to England. Edward's continental allies deserted him; only the Flemish, who had accepted him as suzerain on his reasserting his claim to the Crown of France, for awhile remained faithful.¹ They indeed had no option, since they were confronted with starvation if they deserted the cause of the country from which they bought their wool. In 1345, the year in which the truce with France expired, dissensions between the Flemish towns resulted in tumults, during which Van Arteveldt was killed. Edward was heavily in debt, and there was great distress in England; but, with superb confidence in the power of a national British army, which had taken the trouble to prepare itself for war, Edward invaded France. Crecy and Poitiers taught an astonished Europe the value of English freemen, who had learned to shoot. Calais was taken, and an invading Scotch army was defeated at Neville's Cross.

7. It seems certain that Edward knew that his claim to the French throne could not be seriously maintained.

¹ a, i., 415, 416.

It was advanced to excuse the aid given to Flanders, a vassal State, in her rebellion against her lawful suzerain. In 1331 Edward had solemnly repudiated the claim, and, during his French wars, he allowed his armies to ruthlessly pillage France, an act no wise king would permit, if he hoped ultimately to convert his foes into loyal subjects. When the horrors of the Black Death were added to the devastation caused by war, France was so impoverished that the invading English could no longer support themselves on her soil; and, in 1360, it was arranged, by the treaty of Bretigny, that Edward should abandon his claim to the French Crown, and receive Guienne and Calais, free from any feudal obligations.

8. The treaty of Bretigny had a short life; before the end of Edward's reign the French, allied with the Spanish, had wrested from Edward all his conquests except Calais and a portion of the coast of France. It might seem as if Edward's designs had completely failed, even before his death in 1377; but he had not fought in vain, since the possession of Calais gave England control of the Channel, and free access to the wool market of Flanders. Edward III. rendered an even greater service to England when he laid the foundation of a great English woollen industry, by encouraging the immigration of skilled Flemish weavers.¹ As wool in England was not burdened with the export duty paid by the foreigner, in time Edward's policy revolutionised the industry of Europe.

9. When, in 1382, France again invaded Flanders and defeated the Flemish at the battle of Rosebeque, it was at the instigation of the Duke of Burgundy, uncle and guardian of the young King Charles VI. of France.² The

¹ R, 304 *seq.*

² K, ii., 211 *seq.*

Duke of Burgundy was heir to the Countship of Flanders, to which he succeeded in 1384. He wished to establish his authority over the Flemish towns, but he was equally anxious to see them rich and prosperous. It was no part of his policy to increase French influence in Flanders, hence commercial intercourse with England, without which the Flemish could not live, was not interfered with.

10. In accordance with the traditional policy of France the subjugation of Flanders was followed by the preparation of an armada, intended to clear the Channel of English shipping and invade England. But the young French king was in the hands of the Duke of Burgundy and Burgundy's brother and ally, the Duke of Berry. The command of the armada was entrusted to the Duke of Berry, who delayed its departure for two years. It was ultimately destroyed by an English fleet before it set sail for the English coast.¹

11. When Charles VI. became insane the government of France at first passed into the hands of the king's uncles, Burgundy and Berry. France was before long torn asunder by two rival factions, the Burgundians and the Armagnacs, and, taking advantage of their quarrels, Henry IV. of England recovered Guienne. As long as the Burgundians were in power the English trade with Flanders was not molested, but, when the Armagnacs obtained control over France in 1413,² Henry V. was forced into war with France by the same motive which had affected the two Edwards.

12. This war bore a close resemblance to that waged by Edward III. Agincourt was a repetition of Crecy and Poitiers, and for a time France appeared to be crushed

¹ K, ii., 219-221.

² K, ii., 250-253.

by the might of England. But as in the time of Edward III., the conquest was ephemeral. Just as he reached the zenith of his power Henry V. died, in 1422. Under his son, Henry VI., England lost all that Henry V. had won for her. When the Hundred Years' War came to an end in 1454, Calais was the only English possession in France.

13. One very important result of the Hundred Years' War was that, owing to the enfeeblement of France, the power of Burgundy so greatly increased that the suzerainty of France over Flanders almost disappeared.¹ Until the end of the eighteenth century English kings formally asserted their claim to the throne of France, but the motive, which had prompted them to press their claim, ceased when France no longer attempted to control the future of Flanders. During the eighteenth century France and England fought a second Hundred Years' War, but the prize for which these two great protected nations fought was sea power and world markets, not the limited market of Flanders.

14. The chief reason, however, which brought the first Hundred Years' War to a close was the development of weaving in England. The fight which England was waging for industrial supremacy changed its character. It was no longer waged by armed men on the soil of France, but by merchants in the exchanges of Bruges, Antwerp, and London. Early in the fifteenth century the English sent cloth as well as wool to the Flemish market. Flanders was alarmed, since her old ally, England, seemed about to prove a deadlier foe than France. By the treaty of Arras, signed in 1435, the Duke of Burgundy, Philip the Good, agreed with the French king to

¹ C, i., 418.

withdraw his support from the English. In 1434 the Flemish, by prohibiting the importation of English cloth, began their hundred years' commercial war with England;¹ this war was ended by the ruin of Flanders.

15. In her commercial war with all the cloth-making centres of Europe, England had no stint of allies in the free traders of Germany, Italy, and the Netherlands. The Hanse merchants, the Fuggers of Augsburg, the Medicis of Florence and the traders of Antwerp competed with each other in giving aid to England. They scarcely seemed to know that they had fatherlands. They were deaf to the cries of distress which arose when they sold cheap English cloth in their home markets and brought ruin upon their poorer kinsfolk. In time they were engulfed in the ruin, but, for the moment, they made money fast, and this satisfied them. They were virtually the paid allies of England in her fight against their own homes.

16. The horrors of ordinary warfare are often tempered by pity for the vanquished and partially redeemed by loyalty to allies, but in the commercial struggle between nations there is neither pity nor loyalty. The artisan who strikes the blow cannot feel pity, because he does not see the effect of what he has done. All that he is conscious of is that he has done useful work and has been paid for his labour. The misery of the foreigner, whom he has thrown out of employment, cannot possibly affect him. He believes in the legal maxim, *caveat emptor*. That a nation should spend millions on warships to protect her trade, and neglect ordinary fiscal protection for her industry, appears to a foreigner such folly that he reasons that whatever consequences follow they are well deserved.

¹ K, ii., 341; c, i., 389, 429; xx, i., pt. ii., 218.

17. Great Britain cannot expect foreign nations to be more merciful to her in the future than she has been to others in the past. As long as England had need of commercial allies, she made use of them ; when once her need was over, she crushed them with as little pity as she showed to the Flemish, German, and Italian weavers. The Hanse merchants and the Lombards made way for English merchant adventurers and English bankers. Weak through disunion, the towns of Germany, Italy and Flanders were pillaged by foreign armies, and England systematically made use of their suffering to increase her own power, and complete the ruin of possible competitors.

X.

A PEOPLE THAT BOUGHT CHEAP.

THE NETHERLANDS.

1. Political disunion in the Netherlands.
2. Economic disunion in the Netherlands.
3. Flemish dependence on foreign raw material.
4. The Burgundian Dukes tried to unite Lotharingia.
5. The Dukes were not supported by their subjects.
6. The Burgundian scheme failed in 1477.
7. French attacks on Flanders temporarily ceased after 1493.
8. Bruges depended on Flemish cloth-making.
9. Antwerp's free importation of English cloth ruined Bruges.
10. German merchants ruined Germany.
11. Antwerp and the merchants suffered in the ruin.
12. The Austrian Dukes tried to unite the Netherlands.
13. Flanders depended on the markets of France.
14. The markets of Flanders were not large enough to support the Flemish weavers.
15. Economic disunion led to civil wars.
16. Germans protected Flanders from annexation to France.

I. THE greater part of the Netherlands was included in Lotharingia, and, at an early date, was absorbed in that great federation of which the German emperor was overlord. Flanders and part of Southern Belgium were, however, given to Charles the Bald, and remained fiefs of the French Crown.¹ Thus to the division caused by the

¹ K, i., 265.

counts and bishops, who exercised almost independent rule in the Netherlands under the feudal system, there was added the political division of a dual overlordship.

2. Economically the Netherlands were as sharply divided as they were politically. The Dutch had a similar history to that of the Hanse towns, of which confederation they originally formed part. They drew their wealth from the sea, and fished for Europe, whilst the Flemish worked on land, and were the European clothmakers.¹ Until the fifteenth century the economic history of Flanders was closely connected with that of England, the country on which it depended for the raw material of its industry. Its later economic history is a striking illustration of the folly of depending upon the foreigner for raw material and failing to develop a home-grown supply.

3. Had the Flemish been wise, they might have averted the ruin that overtook them. They were certainly, in proportion to their population, among the most wealthy of European communities. If they had used this wealth to secure for themselves an adequate supply of home-grown wool, they might have competed successfully with England, when the English began to weave cloth and ruin European weavers by stopping the exportation of English wool. This, no doubt, would have required united effort, and, unfortunately for the Netherlands, union was foreign to their nature. When the Flemish were not engaged in fighting against their counts or their overlord, they fought amongst themselves, much as the Italian cities did. In Holland, where the strife of factions was not interfered with by the necessity of combining against the suzerain, Hoeks and Kabeljaauws divided the country as the Ghibelines and Guelphs divided Italy.

¹ Z, 47-51; O, 273.

4. The main aim of the dukes of Burgundy was to unite their scattered dominions and free them from French and German suzerainty. If they had succeeded they would have recreated Lotharingia, and formed a great empire between France and Germany. In various ways they acquired Burgundy, the Netherlands, and a large part of Northern France. Had the Netherlands co-operated with their rulers, Lorraine and Provence would have been annexed, and in Lotharingia, stretching from the North Sea to the Mediterranean, there would have been ample space to grow the wool which the Flemish weavers needed.¹

5. This was what Duke Philip the Good appears to have tried to teach his subjects when at Bruges in 1431 he founded the order of the Golden Fleece. The union of the pastures of Burgundy, the looms of Flanders, and the shipping of Holland would have created the most powerful nation in Europe. But the motto of modern Flanders, "Union is Strength," seems strangely inappropriate, when it is remembered that the old-world Lancashire, as mediæval Belgium may fairly be called, was ruined because she preferred to buy from the foreigner, even when English cloth was beginning to invade her market.²

6. When Philip's son, Duke Charles the Bold, tried to carry out the Burgundian scheme, the need of Flanders was growing greater year by year, since English cloth was crossing the Channel in ever-increasing quantity. The Flemish weavers found that Scotch and Spanish wools were inadequate substitutes for English wool,³ and thus the English export duty handicapped them fatally in their competition with England. This pressing need of Flanders may account for the rashness with which Duke

¹ M, 231-233.

² C, i., 429.

³ D, ii., 331, 332.

Charles the Bold pressed on to the goal of his ambition. When he fell at the disastrous battle of Nancy, in 1477, defeated by the Lotharingians of Switzerland, all hope of a united Lotharingian empire and of empire-grown wool for the Flemish died with him.¹

7. On the death of Charles the Bold, the French king at once annexed French Burgundy, and the Burgundian possessions in Northern France would also have been lost to his daughter and heiress, Mary, but for her marriage with Maximilian of Austria, who shortly afterwards became Emperor of Germany. Maximilian's victory over the French king, Louis XI., at Guinegaste in 1479, led to the peace of Arras in 1482. The determination of Louis' successor, Charles VIII., to absorb the Italian towns of Southern Lotharingia and annex Naples, led him to make the more permanent arrangement, called the peace of Senlis, in 1493, which secured the Netherlands for some time from the misery caused by French wars.²

8. The Netherlands, however, could not enjoy the blessing of internal peace, as long as its cities pursued conflicting economic policies. Bruges, connected with the sea by a narrow waterway, had not as advantageous a situation for international trade as Antwerp, but its proximity to the cloth-producing towns in Flanders had made it the most important trading city of North-Western Europe. The ships of the Easterlings had entered the port of Bruges with English wool for the Flemish weavers, and left it laden with cargoes of Flemish cloth. To these cargoes it was easy to add parcels of Eastern goods, which had made the long land journey by one of the Lotharingian trade routes. Bruges was an

¹ c, i., 391.

² c, i., 391, 392.

illustration of the law that production creates shipping and commerce.

9. But when England commenced to send cloth instead of wool to Flanders, trade was revolutionised. To the weavers of Flanders the change meant starvation, and they naturally prohibited the importation of English cloth. This was Antwerp's opportunity. She adopted a free-trade policy, and by admitting cheap English cloth she built up a gigantic trade on the ruin of Bruges and the sufferings of her fellow-countrymen.¹

10. The Fuggers and other rich middlemen of South Germany flocked to Antwerp; their chance, too, had come. Hitherto the North Germans of the Hanseatic League had controlled the sea-borne trade of Germany, but the Hanse merchants were reluctant to leave Bruges, where so much of their capital was invested in buildings. The rapidity with which the South Germans settled in Antwerp gave them much international trade, which the North Germans had formerly enjoyed. Careless of what German weavers might suffer, the Fuggers, although they had originally made their fortunes out of German weaving, bought cloth in England where it was cheap and sold it in Germany where it was dear.² The Knights' War, the Peasants' War, the Civil Wars under Charles V., and the terrible Thirty Years' War were hidden in the future. All that the German merchants saw was their immediate gain, and this they pursued mercilessly.

11. Both Antwerp and the Fuggers in time received their reward. Antwerp was destined to suffer the horrors of a pillaged town during the Spanish fury, and then to have the entrance to her port blocked by the Dutch for

¹ d, ii., 330 *seq.* ; c, i., 429, 507-510.

² c, i., 506 *seq.* ; W, 415 *seq.*

more than a hundred years, as effectively as the silting up of the Zwyn blocked the entrance to Bruges; whilst the German middlemen were forced to see their ill-gotten wealth vanish when ruin spread over Germany.¹ Although England was monopolising the weaving industry, the secondary industries of dressing and dyeing remained on the Continent. It was not until the reign of James I. that England made use of her supremacy in weaving to establish also a monopoly in these secondary operations. There was a great business to be done in buying rough English cloth and carrying it to the Continent for the finishing processes. Hence Antwerp and Holland became wealthy in spite of the ruin which befel the Flemish weavers. The upper classes developed luxurious habits, and, owing to the cheapness of foreign goods, the standard of comfort amongst the poor reached a higher level.²

12. As the earlier dukes had tried to unite Lotharingia, so Maximilian and his son Philip tried to unify the Netherlands, though they were forced to abandon the larger scheme. The rulers of the Netherlands realised that, unless the country became united, it would ultimately be absorbed by one of its powerful neighbours; but the obstacles to union had been greatly increased by the divergent economic policies of Bruges and Antwerp. Whilst the German fiefs, for the most part, sided with Antwerp and free trade, the weavers of Flanders and Brabant supported Bruges and protection.³ Early in the sixteenth century, Machiavelli had observed that the export trade of Flanders had ceased except for goods which were sent overland to fairs in France. He remarked that the Flemish would starve if they engaged in war

¹ c, i., 521.² c, i., 429.³ c, i., 444, 445.

with France.¹ For this reason there was a strong French party in Flanders, and the rulers of the Netherlands showed great anxiety to remain at peace with the French.

13. When Maximilian's son, Philip, took over the government of the Netherlands on his mother's death, anxiety to keep the peace with France caused him to pursue a policy which conflicted with that of his father, who was also his German suzerain. It also led him to abstain from raising any question about the French suzerainty over some of his provinces, and to do homage for them in 1499.² But this cautious policy merely postponed the evil day. The old feudal relations were unsuited to the newer conditions of national life, and it was certain that an appeal to force would ultimately decide whether the French fiefs became independent or were absorbed in France.

14. Several commercial treaties were made between the Netherlands and England during the Anglo-Flemish commercial war. Of these the best known is the Magnus Intercursus, which was signed in 1496. Under this treaty trade was carried on during the first half of the sixteenth century, export duties on wool being imposed by the English and import duties on cloth by the Flemish. This arrangement might have reserved the home market of the Netherlands for the Flemish weavers, had the country been united, but as English goods entered Antwerp freely, the protective policy of Flanders was neutralised. In 1486 Bruges had expressed her willingness to abandon protection, hoping no doubt to retain the secondary industry of finishing English cloth, or, at any rate, to arrest the transference of all her commerce to Antwerp. An-

¹ Q, 280.

² C, i., 453, 454.

other treaty, called the *Malus Intercursus*, was actually drawn up in 1506, but by that time Bruges had changed her mind and the *Malus Intercursus* never came into operation.¹

15. If it was difficult for the dukes to make satisfactory arrangements for the external trade of their subjects, it was almost impossible to bring anything like order into their internal affairs. Each town and province possessed special privileges, which were insuperable obstacles to union. When these privileges were threatened, the town or province rose in rebellion, and the history of the Netherlands about this time is one long series of revolts culminating in the great rebellion which gave birth to the Dutch Republic.

16. When Charles VIII. of France abandoned Flanders for Italy, it must have appeared probable that internal strife and loss of productive power would in due time render the French fiefs an easy prey. But, by a series of unexpected deaths, Duke Philip's marriage with a Spanish princess made him King of Castile, and made his son Charles heir not only to the Netherlands, Burgundy, and his grandfather Maximilian's Austrian possessions, but to a united Spain with subject provinces in Italy and vast colonies in the New World.² When the French renewed their attempt on Flanders, the Powers, which had become interested in the future of the Netherlands, were able to frustrate the designs of France, but it was nearly three centuries before Flanders was free from the rule of the foreigner.

¹ c, i., 450, 452, 454-456; d, ii., 344-347.

² c, i., 453.

XI.

THE RUIN OF MEDÆVAL LANCASHIRE.

FLANDERS.

1. The Netherlands formed the industrial and financial centre of the empire of Charles V.
2. Provincial trade was originally forced to pass through the metropolis.
3. The Iberian kings obtained the sanction of religion for their monopoly of trade.
4. Antwerp was forced to trade through Seville.
5. The Netherlands and Spain repeated the history of Venice and Constantinople.
6. The Spanish cared little for Spanish production.
7. The cosmopolitan aims of Charles V.
8. The empire designed by Charles was doomed to fail.
9. Either the Spanish or the Netherlands must have been provincials in the empire.
10. Protestantism in the Netherlands expressed the desire for independence.
11. Economic disunion left Belgium in Spanish hands when Holland became free.
12. For two centuries Belgium was subject to foreign rule.
13. The history taught by free traders.
14. Motley's *Rise of the Dutch Republic*.
15. Motley's treatment of contemporary history.
16. Motley's explanation of the ruin of Flanders.

I. WHEN Flanders was feeling the full effect of England's competition in weaving, the Netherlands suddenly became part of the second great European brother-

hood, known in history as the empire of Charles V. This empire presents many different aspects. To the Spaniard it suggests the period when Spain attained the zenith of her power. The Spanish ruled in Spain, Italy, and the Americas; Portugal and the Eastern world were all but in their grasp, and the influence of Spain was predominant in the German Empire and the Netherlands. It was a repetition of the empire of Charles the Great, with Spain substituted for France and the Americas added. The German can regard it as the culmination of the power of the emperors of the East Franks, the great days which immediately preceded Germany's decline. For the present it will be convenient to regard it from the point of view of the Netherlands, who could boast that their ruler, a Fleming like themselves, had created a vast empire of which the Netherlands formed the financial centre.¹

2. In former times, when a trading city obtained control over a province, she tried to reserve its trade by making herself its compulsory staple; in other words, she compelled all the provincial exports and imports to pass through her hands. When men grouped themselves in nations instead of cities, this system was continued. At first one or more towns were chosen as staples, but, in course of time, when this internal restriction of trade was recognised as uneconomical, the custom-house service was enlarged and the nation itself became one great staple. It was the dislike which colonies naturally felt for this system, when it was imposed without their consent, which led to the War of Independence in North America and to the transformation of Spanish colonies into South American republics. The system was an inheritance from

¹ c, ii., 63; i, i., 310, 311.

the remote past, and was adopted both by trading and producing communities. There is no necessary connection between it and the protection of national production. There are, and were, many advantages in commercial union between colonies and the mother country, but these advantages are obscured unless the colonies have an equal voice in settling the terms of the union.

3. As the first discoverers, Spain and Portugal claimed the Western and Eastern Worlds. From the Popes, the Iberian kings obtained bulls which gave their claims a spiritual sanction that all Europe at the time recognised. Foreign merchants, trading in the newly discovered lands without licence from the Iberian kings, were by this act rendered subject to the penalties of excommunication.¹ Apart from the question of the tribute levied throughout Christendom by priests and monks, and apart also from the spiritual abuses countenanced by the Popes, these bulls were enough to account for the Reformation. The progress of the industrious nations of Northern Europe would have been effectually checked if they had not dared to resist this declaration of war against the principle of nationality. Having secured their vast possessions, the Spanish made Seville a staple port for colonial trade, and tried by marriage to unite the crowns of Portugal and Spain. This unification was not at the time accomplished, owing to the deaths which placed Duke Philip of Burgundy and of the Netherlands on the throne of Castile, and made his son Charles V. heir to a united Spain; but in 1580 Charles's son Philip II. became the ruler of Spain and Portugal, and thus of the Western and Eastern trade.²

4. By the union of the Netherlands and Spain two

¹ P, xxx., 213 *seq.*

² c, i., 362; g, ii., 46, 47.

great staples, Antwerp and Seville, acknowledged one king. These staples differed widely. Antwerp was a free staple ; she owed her commerce to circumstances and her natural position. Seville, on the other hand, depended on the military and naval power of Spain to compel foreign merchants to trade through her. If Spain had thrown open the markets of the West, Dutch vessels, which sailed from Antwerp laden with English cloth, would have passed by Seville on their voyages to the New World. England and the Netherlands were thus equally interested in breaking down the artificial arrangement which the Popes and Iberian kings had created ; but the sea power of Spain and Portugal was at first too strong for them to attempt the task.

5. The expulsion of the industrious Moors and the commercial Jews from Spain during the fifteenth century crippled both her production and her trade. Duke Philip and, after him, Charles V. sought to remedy this defect by introducing their Flemish and German subjects. Spanish manufactures increased tenfold,¹ but the colonial markets created such a demand that a large supply had to be obtained from abroad, and the prosperity of Antwerp was not checked. The Netherlands and Spain thus reproduced that earlier union which once existed between Constantinople and Venice. The newer union ended as the old did. Just as Venice in time attacked Constantinople, and obtained independent access to the Eastern markets, so in alliance with England the Netherlands destroyed the sea power of Spain and built up a Dutch colonial empire.

6. Owing to their ability and industry, foreigners

¹ c, i., 357.

began to monopolise the chief posts in Spain; and the anger which the Spanish felt at this peaceful penetration of their country found expression in the rebellion of the Spanish communes against Charles V. shortly after he became their ruler. The revolt was sternly suppressed, but nevertheless the rebels achieved their object. "The Emperor learnt to know and respect the Spaniards; Spanish statesmen sat in his Council; Spanish soldiers formed the mainstay of his power abroad. . . . Military glory turned away attention from the burden and sufferings of the land and increased the national contempt for all professions save that of arms. The middle class, which under the Catholic kings was struggling into existence, almost disappeared."¹ In other words, the idle Spaniards were no longer reproached by aliens entering Spain to do the work Spaniards ought to have done, and and not only was a cosmopolitan emperor partially transformed into a Spaniard, but his son Philip II. became by education entirely Spanish.

7. Charles V., however, never completely abandoned his cosmopolitanism.² When he arranged the marriage of his son Philip with Mary Queen of England he made the boldest attempt ever made, except perhaps by Napoleon, to realise the dream of the visionary free trader, a universal empire, which should need neither armies, nor navies, nor customs barriers. Had a son been born to Queen Mary, and had Charles succeeded in transferring his Austrian dominions and imperial crown to Philip, the rapidly growing industry of England and the declining industries of the Netherlands, Italy, Germany, and Spain, would have been subject to the same king. He would

¹ c, i., 378, 379.

² c, ii., 267.

also have had to harmonise the interests of the staples of Spain, the Netherlands, and the Hanseatic League.

8. The task which this emperor would have had to undertake is almost beyond human imagination, but some idea of it may be formed when it is remembered that Charles V. was engaged in constant wars in Italy and with France, that he had to suppress serious revolts in Spain, Germany, and the Netherlands, that his Dutch and Hanseatic subjects engaged in war with each other, and that the accession of his son was the signal for the commencement of that Eighty Years' War which ultimately freed Holland from Spain. Cosmopolitan empires are more easily imagined by philosophers than carried into practice by their rulers.

9. It was evident that either Spain or the Netherlands must have become the predominant partner in their unnatural union. As Spain would not submit to peaceful penetration by the Netherlands, the alternative before the Netherlands was either to obtain freedom by force or to become a Spanish province. Under Charles V. Flanders became involved in wars with France. Before this occurred, Machiavelli had noticed that "of the Flemings the French likewise are in no fear, for by reason of the coldness of their country they do not gather enough for their own subsistence, especially of corn and wine, with which they are forced to supply themselves out of Burgundy, Picardy, and other places in France. Moreover, the people of Flanders live generally of their own manufactures, which they vend at the fairs in France—that is, at Paris and Lyons, for towards the seaside there is no utterance for anything, and towards Germany it is the same, for there are more of their commodities made than in Flanders; so that, whenever their commerce with the French

is cut off, they will have nowhere to put off their commodities nor nowhere to supply themselves with victuals. So that, without irresistible necessity, the Flemings will never have any controversy with the French."¹

10. In more modern language, English competition had killed the exports of Flanders, except to France. Therefore, when their connection with the Empire and Spain involved the Flemish in war with their only remaining customer, Ghent refused to pay for these wars and rebelled in 1539.² Without much difficulty Charles suppressed the revolt, but not the discontent which caused it. Just as in Ireland the Roman Catholic faith has become identified with opposition to England's misused economic control, so in the Netherlands the principles of the Reformation were associated with the hatred felt at the presence of Spanish garrisons, and the subjection of Church and State to Spanish rule. Protestantism spread rapidly in the Netherlands, although the government punished Protestants with severity, judging them guilty of the double crime of treason and heresy.³ Four years after the abdication of Charles V., the States-General refused supply to his son Philip II. unless the Spanish garrisons were withdrawn from the Netherlands. Thus the contest began which in 1568 developed into the Eighty Years' War.

11. This war might have ended in emancipating Belgium, as well as Holland, but the Low Countries could never unite. As the war progressed, Amsterdam freed herself from Spain, whilst Antwerp's trade was fettered by the staple of Seville and the destruction caused by war. Thus Amsterdam soon annexed the trade of Antwerp, as formerly Antwerp had annexed the trade

¹ Q, 280.

² c, ii., 74, 75.

³ c, ii., 255.

of Bruges. Involved in a common ruin, the economic differences between Flanders and Brabant were less apparent than those which divided Holland and Belgium. Catholics migrated to the South and Protestants to the North; the Dutch Republic came into existence, and Belgium remained a Spanish province.¹

12. Thus the land, which preferred individual liberty to union, lost its national freedom for more than two centuries. It was treated as a pawn in the game played by its stronger neighbours. During its time of servitude it was governed in turn by the Spaniards, the Austrians, the French, and the Dutch. It was forced to endure the horrors of battles fought on its soil for causes in which it had little interest. The old-world Lancashire paid dearly for its cheap foreign wool and its anti-nationalism. From bitter experience Belgium has learned that union makes strength.

13. Free traders profess the belief that education is a better defence for British industry than tariffs. For more than half a century followers of Cobden have controlled the education, as well as the fiscal policy, of England; yet, not till recently, when power was beginning to slip from them, has there been any serious reference to economics in the history taught to British boys. More than this, the books on history written during their reign have been absolutely misleading. Motley's *Rise of the Dutch Republic* is an example of the sort of history which in England sixty years ago quieted all doubt about the truth of the principles of free trade.

14. Space does not allow an adequate criticism of the book, but it is perhaps enough to say that in the fifteen

¹ c, iii., 617, 618, 630, 631.

chapters or sections¹ which profess to give the history of the Netherlands before the reign of Philip II., there is no mention of the suzerainty of France over the French fiefs, of the close connection of the Dukes of Burgundy with the royal house of France, of the difficulties which arose from the dual overlordship of the French king and the German emperor, of the unification of Spain, France, and England, and the consequent duty imposed upon the dukes to try to unify the Burgundian lands, of the battles of Courtrai, Cassel, and Rosebeque, and their important results, of the intimate connection between Flanders and England during the Hundred Years' War, of the pressure England could bring to bear upon Flanders by stinting the supply of wool, of the Anglo-Flemish commercial war and its treaties, of the union of the Dutch cities in and their secession from the Hanseatic League—in short, of almost every important fact in the period which the author appears to be describing.

15. When, in a later chapter, Motley wished to depict the condition of the Netherlands before the War of Independence broke out, he quoted from Renom de France, a contemporary Walloon historian, who naturally attributed the distress which existed to the influx of cheap English cloth. Motley was, however, equal to the occasion; he says that the writer "could hardly doubt" that the industrial ruin was due to religious persecution, but "preferred to ascribe it wholly to the protective policy of England". Motley admits that Renom derived most of his materials and his wisdom from the papers of Councillor d'Assonleville, and that D'Assonleville shared Renom's views as to the cause of the distress.²

¹ h, i., 1-92.

² h, i., 504-506.

16. An ordinary number of martyrs was not enough to justify Motley in rejecting this contemporary testimony. He therefore made use of "a statement of Hugo de Groot and an expression of William of Orange in his apology," to assume that there were 50,000 or 100,000 executions for heresy before the war broke out.¹ Professor Blok, who occupies the Chair of Dutch History at the University of Leyden, states that their martyr's book proves that "the sum of sufferers barely reaches one thousand," and thinks that this figure is probably too high.² When the *Rise of the Dutch Republic* was being published Prescott was scornfully rejecting the larger figures which historians had carelessly accepted.³ Nevertheless, they form the foundation of the argument by which Motley tried to prove that religious persecution was the cause of the ruin of Flanders. Since copies of this book are still given as prizes to the more intelligent English boys, and cheap editions of it are published, it is not astonishing that Lancashire mill hands do not know of any special lesson which history has for them.

¹ h, i., 114, 505.

² d, ii., 317.

³ i, i., 308, 309.

XII.

TARIFF REFORM IN THE SIXTEENTH CENTURY.

GERMANY.

1. Machiavelli's object in writing *The Prince*.
2. Machiavelli's descriptions of France and Germany.
3. Germany was ruled by a cosmopolitan emperor.
4. Germans tried to control the Italian trade routes.
5. The emperor became too weak to control the German trading cities.
6. Likeness between the Holy Roman and British Empires.
7. Contrast between the descriptions of Germany written by Mr. Bryce and by Machiavelli.
8. Mr. Bryce's theory.
9. Mr. Bryce's recognition of the divergence between theory and practice.
10. Desire for national unity in Germany during the fifteenth and sixteenth centuries.
11. Relative weakness of Germany when her neighbours became united nations.
12. The movement for union in Germany was associated with a movement for tariff reform.
13. Free importation was injuring German production.
14. German merchants induced the emperor to veto tariff reform.

I. MACHIAVELLI earned for himself a sinister reputation when he wrote *The Prince*. Even now many regard him as one who tried to teach rulers how to extinguish popular liberty by adopting a line of conduct which moralists must condemn. But Machiavelli's work was not intended to

serve as a handbook for all rulers at all times. He saw clearly, as Dante had seen, that the sufferings of Italy arose from internal disunion, and that, until this condition was changed, Italy would remain subject to foreign rule. His book was written to persuade an Italian, by fair means or foul, to undertake the unification of Italy. He studied the methods foreign kings had adopted to unite the lands over which they ruled, and advocated the employment of similar methods in Italy.¹ Men were shocked at Machiavelli's plainness of speech and, even in England, his name became a by-word for crooked dealing, although at the time he wrote the Tudors were practising what he preached.

2. In particular, Machiavelli studied the conditions existing in France and Germany, and wrote two short descriptions of these lands, which bear witness to his wonderful powers of observation and his insight into national life. Germany is described as a country "rich in men, money, and arms," but so enfeebled by internal discord that "it is necessary it should be united before any great thing can be performed by the emperor". On the other hand, Machiavelli saw in France a nation, less wealthy than Germany, but strong with the strength produced by union. In France all the internal forces of the kingdom were concentrated in the hands of the king, whereas in Germany the ruling princes, prelates, and, above all, the free cities studied their own interests more than the welfare of Germany, and frequently refused to co-operate with the emperor.²

3. During the ninth and tenth centuries, the empire of Charles the Great was divided into a very large number

¹ Q, 158 to 164.

² Q, 270-273, 297-306.

of feudal principalities, and, when both France and Germany were equally weakened by disunion, the German ruler was able to establish his suzerainty over the Lotharingian princes. He also succeeded to the title of Holy Roman Emperor. In Lotharingia, the vague suzerain rights of the emperor were readily admitted except in the Italian part. These were the last provinces which the Carolingian rulers added to their empire, and in the Lombard and Tuscan cities there was always a dislike to German rule, which found expression in the support given by the Guelphs to the Pope's claim of suzerainty over Italy.¹

4. Before the Seljouks and Othmans had destroyed commerce with the East, the North Italian seaports were the entrances to trade routes which passed through Germany.² To control these gates was a matter of vital importance to Germany, hence, until the fourteenth century, German emperors led armies into Italy only to find their work undone by the popes as soon as their troops had recrossed the Alps.³ The Crusades failed to permanently reopen trade with the East, and the stint of Eastern goods stimulated European production in Flanders, in the Rhine towns, and in the South German towns of the Swabian League.⁴ Then Italy ceased to attract the Germans; but when their emperors thus had their attention turned to Germany, they found that the trading and industrial cities had acquired power which rivalled their own.⁵

5. Machiavelli noticed that, early in the sixteenth century, German "commodities and manufactures, in a manner, supplied all Italy".⁶ Fine and beautifully dyed cloth, silks, brocades, glass, and armour were manufactured

¹ M, 145-149, 186, 187.

² W, 12, 13.

³ I, 298, 299.

⁴ M, 163-165; W, 33 *seq.*

⁵ M, 182, 183.

⁶ Q, 299.

in the Italian towns. These were luxuries for the rich. It was doubtless the staple articles of commerce, articles used by all classes, to which Machiavelli referred. The Fuggers of Augsburg became mediæval millionaires, who could afford to entertain an emperor at dinner and burn his notes of hand over a fire of cinnamon wood. Their business was no longer confined to Germany, where they had originally made their wealth as cloth manufacturers.¹ They had offices at Antwerp, and in the reign of Charles V. they engaged in world-wide speculations.² The merchants of the Low Countries had taken to international trade when English competition began to seriously affect the weaving industry of Flanders, and for centuries the North Germans of the Hanseatic League had gained their wealth from foreign trade. Hence Germany was ringed with trading cities whose interests did not coincide with the interests of their fatherland.

6. Captain Mahan has shown that, in spite of all the changes which modern science has introduced into naval warfare, the problems of to-day are not essentially different from those Great Britain has had to solve in the past, and that history is the best guide to the solution of these problems.³ This truth is not confined to naval affairs. In spite of many points of difference, there are essential analogies between the Holy Roman Empire in the sixteenth century and the British Empire in the twentieth. Free self-governing colonies have replaced the feudal princes, but their authority is equally independent under the suzerainty of a common emperor. Free cities no longer exist, but the power of the international trader is as strong as ever and is as opposed as it always has been to national

¹ j, Art. Fugger.² c, i., 506-510.³ k, 1-24.

welfare. To make the picture complete, there is the same passionate longing in the hearts of the British for real union as there was in Germany four hundred years ago.

7. A book on the Holy Roman Empire, by a recent Cabinet Minister, ought to throw light on the imperial policy of the present Government, and fortunately there is such a book, written by Mr. Bryce in 1864 and republished in 1904. When the reader passes from Machiavelli's account of Germany at the beginning of the sixteenth century to Mr. Bryce's *Holy Roman Empire*, he cannot fail to be struck by the contrast. Machiavelli's pages, though few in number, seem crowded with ordinary human beings engaged in the common-place struggle for existence; the Flemings will not willingly go to war with their best customers, the French; the free cities will not help the emperor, because they do not think that the proposed war will further their commercial interests.¹ Machiavelli seems to have had always before him real men and women engaged in the all-absorbing work of feeding, clothing and educating their families.

8. On the other hand, Mr. Bryce's fascinating book introduces the reader to a fairyland where men spend their lives struggling to regulate human affairs in accordance with the most abstruse and complicated theories. Mr. Bryce finds in the religious and metaphysical writings of monks and priests the motives which influenced men's actions in the Middle Ages, but it would perhaps have startled the monkish writers had they been told that "the search after causes became a search after principles of classification; since simplicity and truth were held to be attainable not by an analysis of thought into its elements,

¹ Q, 280, 304, 305.

nor by an observation of the process of its growth, but rather through a sort of genealogy of notions, a statement of the relations of classes as containing or excluding each other. These classes, genera or species, were not themselves held to be conceptions formed by the mind from phenomena, nor mere fortuitous aggregates of objects grouped under and called by some common name ; they were real things, existing independently of the individuals who composed them, recognised rather than created by the human mind. In this view, Humanity is an essential quality present in all men, and making them what they are ; as regards it they are therefore not many but one, the differences between individuals being no more than accidents. The whole truth of their being lies in the universal property, which alone has a permanent and independent existence. The common nature of the individuals thus gathered into one Being is typified in its two aspects, the spiritual and the secular, by two persons, the World-Priest and the World-Monarch, who present on earth a similitude of the Divine unity.”¹

9. It is perhaps not altogether surprising that Mr. Bryce discovered, in the course of his reading, that facts in the Middle Ages did not always agree with the theories upon which they were supposed to be based. “He who begins to read the history of the Middle Ages is alternately amused and provoked by the seeming absurdities that meet him at every step. He finds writers proclaiming amidst universal assent magnificent theories which no one attempts to carry out.”² Surely this discrepancy must have been due to the fact that the monks knew nothing of the motives which really influenced men in the world outside their monasteries. The men, their imaginations created,

¹ I, 96, 97.² I, 130.

differed from the real men of mediæval times as widely as the economic man of modern philosophers differs from an ordinary Englishman.

10. Mr. Bryce recognised the strong feeling in favour of unity which pervaded Germany as the fifteenth century was drawing towards its close, though he assigned every reason for this feeling except the economic one. He saw that the unification of Spain, England, and France had seriously affected the relative strength of Germany, and that the extinction of the Eastern Empire in 1453 "dealt a fatal blow to the prestige of tradition and an immemorial name," whilst the discoveries of the last decade of the century "disclosed a world whither the eagles of all-conquering Rome had never winged their flight". It would perhaps have been too prosaic to have written that the capture of Constantinople and the monopoly of the new markets, claimed by Spain and Portugal, rendered Northern Italy of so much less value that German emperors henceforward naturally turned their attention towards the production of Germany. But the most important cause for the change in imperial policy was, according to Mr. Bryce, a purely intellectual one, the Renaissance. "It was not that the Renaissance exerted any direct political influence either against the Empire or for it. Men were too busy upon statues and coins and manuscripts to care what befel Popes or Emperors. It acted rather by silently withdrawing the whole system of doctrines, upon which the empire had rested, and thus leaving it, since it had previously no support but that of opinion, without any support at all."¹

11. Those who advocate the union of the British Em-

¹ I, 349, 350, 358-361, 364-366,

pire can feel pleasure at a frank recognition by Mr. Bryce of the injurious effect on Germany of the great increase in strength of other countries. It is not every free trader who can see that it is not good for Great Britain when foreign nations increase in wealth more rapidly than she does, nor every Cabinet Minister who realises that union, and not separation, is the cure for the evil. Mr. Bryce describes an attempt at unifying Germany made in 1495, during the reign of the Emperor Maximilian;¹ but he unfortunately says nothing of a more important attempt made in the first few years of the reign of Maximilian's grandson and successor Charles V. It is not too much to say that the failure of this second attempt brought endless misery upon Germany for more than three hundred years.

12. Charles was already King of Spain and Duke of Burgundy when he was elected Holy Roman Emperor in 1519. The feeling in favour of German unity was strong, and the Diet of Worms in 1521 induced Charles to establish a Reichsregiment, or national council, which should govern Germany in his absence. As in England now, so then in Germany, this national movement was from the beginning associated with a demand for fiscal reform. The development of weaving in England, after injuring the industries of Flanders and Florence, was disastrously affecting the weavers of Germany. Fuggers, and other German merchants, were growing rich on the profits they made by importing cheap English cloth into Germany through Antwerp and the Hanse towns, but the German workman was losing the little wealth he had.²

13. "Theologians united with lawyers in denouncing the Fuggerei of the great trading companies; Luther and

¹ I, 361-364,

² c, i., 506; ii., 41, 142, 149, 150.

Zwingli, Hutton and Erasmus, were of one mind on this question." The idea was prevalent "that the German nation was being steadily impoverished by the export of precious metals to pay for the imports it received from other countries, and especially English cloth and Portuguese spices". To meet this evil and to provide the necessary imperial revenue, the Diet at Nuremberg, in 1522, adopted a measure which imposed import and export duties on all merchandise other than necessities of life. The empire was to be ringed round with Custom houses, and, within the empire, the Low Countries were included, whilst, for various reasons, Switzerland, Prussia, and Bohemia were left out.¹

14. This measure was at once recognised by the middlemen of Germany as a declaration of war against the power they had acquired, and they promptly accepted the challenge. The merchants thought that their profits would be diminished if Germany became a nation, and decided to induce the emperor to veto the scheme proposed by the Diet. "At a congress of cities held at Speier in March, 1523, it was resolved to appeal from the Reichs-regiment to the emperor, and an embassy was sent to lay their case before Charles at Valladolid in August." For some time the emperor hesitated, but he owed much to the Fuggers, and money was freely spent to secure the defeat of the proposal. The power of the purse has always been great, and it soon carried conviction to the mind of the emperor. When the tariff reform scheme was vetoed, the first great blow at the national government was struck by Charles at the instigation of the German cities.²

¹ c, ii., 151, 152.

² c, ii., 153, 154 ; g, i., 194-196.

XIII.

THE RESULT OF REJECTING TARIFF REFORM.

GERMANY.

1. Production had made Germany strong.
2. Conditions were changing in the sixteenth century.
3. The tribute paid to Rome weakened Germany.
4. The revolt of the small landowners.
5. The peasants' revolt.
6. Lutheranism became the creed of the rich.
7. Anabaptism, or communism, became the creed of the poor.
8. A cosmopolitan emperor supported a cosmopolitan pope.
9. Preparations for the 'Thirty Years' War.
10. Free importation had killed German patriotism.
11. The losses of Germany in the 'Thirty Years' War.
12. The gains of France.
13. Cosmopolitanism had forced Germany to depend on Spain.
14. Disunion of German merchants before the 'Thirty Years' War.
15. English merchant adventurers gained much from German disunion.
16. German merchants, too late, desired to foster German production.
17. The Hanse cities shared the ruin of Germany.
18. Until the Zollverein united Germany she remained weak and poor.

1. IN 1508 Machiavelli wrote of the Germans that "they do not trouble themselves for everything they want, but only for those things that are absolutely necessary, and by that means their necessities are much fewer

than ours; the result of which custom is this—their money goes not out of their country, they contenting themselves with their own native productions, whilst in the meantime every man is permitted to bring in whatever treasure he pleases into Germany, to purchase their commodities and manufactures, which in a manner supplies all Italy; and their gain is so much the more, by how much a small part of the profit of their labours recruits them with materials for new”.¹

2. But whilst Machiavelli was writing, this state of things was fast being changed. German commerce was increasing, but there was a corresponding agricultural depression. It was safe for Germany to buy Portuguese spices as long as they were paid for by German cloth; but when Germany tried to buy Eastern spices from Portugal, Polish corn, and English cloth simultaneously, trouble was certain to follow. Middlemen, Fuggers and Hanse merchants, flourished like green bay trees, but the German landowner, peasant, and artisan knew that they had fallen on evil times. It was the dweller in the free towns, and not the German agricultural serf, whom Machiavelli described as rich and prosperous. The lot of the serf had always been a hard one; but when prices rose as they did in the sixteenth century, and the value of the raw material he produced was kept low by the importation of foreign corn, wine, and cloth, his condition and that of his feudal lord, the Ritter or knight, became insupportable.²

3. “Germany was known as the milch cow of the Papacy, and the financial pressure on the higher ranks of the clergy reacted on the lower, and ultimately on the

¹ Q, 298, 299.

² C, ii., 152, 154.

peasantry.”¹ Economic distress caused Luther’s doctrines to spread rapidly amongst the sufferers. As before the French Revolution, the air was full of Utopian schemes, by which it was hoped that the glaring inequality between the wealth of the middleman and the poverty of the producer might be rectified. The remedies proposed were the unification of Germany, the abolition of unions of capitalist merchants, and the prohibition of the importation of cloth and wine, also of corn, except in years of famine. These proposals show the causes to which those living in Germany at the time believed that their suffering was due.²

4. The knights, or *Ritterschaft*, had been caught by the agricultural depression as they were gradually changing from a fighting to a peaceable landowning class. Some, who adhered to the old method of life, were able to live, like von Sickingen, in splendour, but the majority were so reduced in fortune that many lived in peasant cottages on the most meagre incomes.³ When reformers taught that the priests and friars were costing Germany 1,300,000 crowns a year, it was but natural that the discontented embraced Lutheranism.⁴ The knights had supported Charles in his candidature for the imperial crown, and were bitterly disappointed when, at the Diet of Worms, the emperor declared himself plainly on the side of the Catholic Church. Whilst the Diet at Nuremberg was passing its fiscal measure, the knights broke into open revolt.⁵

5. In the civil war which followed, the power of the small German landowners was completely crushed, but economic distress is not necessarily remedied by ruining

¹ g, i., 206.

² c, ii., 183, 184.

³ c, ii., 154; g, i., 196-198.

⁴ c, ii., 138, 159.

⁵ c, ii., 41, 155.

the land owning class. The Knights' War was hardly over when the Peasants' War broke out. "The peasants, as the knights before them, had an ideal of the Empire as a saviour of society; the intermediate hierarchy swept away, the Emperor should rule a nation of prosperous peasants with their communal representative institutions: the princes would at most fall into line as Imperial officials."¹ Knights and peasants, however, both left out of account the middleman, who was the real power in Germany. He had no place in their schemes, and, as he held the purse, which controlled the emperor, their schemes had no chance of success.

6. The princes succeeded in crushing the peasants, as they had previously crushed the knights, and German misery was driven below the surface only to reappear at the first favourable opportunity. Lutheranism seemed to be bound up in the cause for which the knights and peasants had fought, but Luther most adroitly transferred himself and his cause to the winning side. The bribe Luther offered the princes was the property of the Church. The peasants would gladly have agreed to this if they had been relieved of their feudal dues; but the Church property was confiscated whilst the feudal dues remained. It is not surprising that Lutheranism became the religion of the princes.²

7. When Luther's doctrines became the creed of princes, the peasant and the artisan found in Anabaptism a religion which they thought better suited to their wants. Luther wished to reform the abuses of Rome as the Encyclopædists wished to reform the French government in the eighteenth century. The Anabaptists, two centuries

¹ g, i., 209, 210.

c, ii., 192-195.

before Rousseau, preached the doctrine of liberty, equality, and fraternity. Their excesses at Münster and elsewhere alarmed the rulers of Europe, and, as the enemies of human society even more than as the enemies of religion, heretics were everywhere treated with the utmost brutality.¹

8. Charles V. was King of Spain before he became Emperor of Germany. Protestantism denied the Pope's right to give him the Americas, whence his treasure ships came with such pleasing regularity. Nations might choose their sovereigns, and national Churches give a religious sanction to their choice, but it was only from a universal Church that a cosmopolitan emperor could obtain divine approval of his world-wide power.² Thus more than one cause tended to preserve Charles from the taint of Protestantism, even when his troops sacked Rome with greater violence than the Goths and Vandals had pillaged it in former times. When, in 1555, the Emperor Ferdinand succeeded his brother Charles, Spain and the Netherlands were separated from Germany, and, under a national ruler, Germany might have become a nation. But the country was now hopelessly divided; many had returned to the Catholic Church, terrified at the revolutionary doctrines of the extreme reformers, and almost equally afraid of Lutheranism as the first step on the road to anarchy.

9. There was civil war in Germany before the abdication of Charles V., and though a compromise was effected by the religious peace of Augsburg in 1555, all must have felt it was only a truce, during which the discordant elements in the nation could sort themselves into the two parties which were labelled Protestant and Catholic.³ When all was ready for the great Thirty Years' War,

¹ c, ii., 222 *seq.*

² c, ii., 247.

³ c, ii., 277.

the emperor was at the head of the Catholic party. By his side were the rich middlemen, terrified at the socialistic spirit their selfish economic policy had created, and ready to spend much of their wealth in hiring foreign soldiers to protect them from the fury of the people. The Protestant princes led the other side, and with them fought peasants and artisans, who cared little for the ruin they were bringing upon their fatherland provided only that they could revenge themselves upon those who had so long oppressed them. These were the blessings Germany received from the free trade of the Fuggerei.

10. Both sides seemed to have lost all patriotic feeling; the emperor used Spanish troops and Spanish gold, whilst the princes welcomed a Swedish army. French kings, calling themselves Protectors of German Liberty,¹ assisted in the civil war which was devastating the land whose freedom they pretended to protect. The middlemen of the German free cities determined that in Germany freedom should mean *laissez faire* and disunion, and the French gladly aided the Germans in preserving this strange kind of liberty. History justifies Madame Roland's last words on the scaffold: "O Liberty, what things are done in thy name".² Even in the twentieth century, the English place their industry and commerce in the power of the foreigner, and call them free.

11. Free importation had dried up the living sap of German production, and the country was like a forest in a prolonged drought, where a chance spark will kindle a fire which must rage till all is burned. The Thirty Years' War began as a revolution in Bohemia; before the war was over, fire and sword were doing their terrible work

¹ I, 372.

² I, iii., 179.

throughout Germany, and every European nation was engaged in pouring oil on the flames, in the hope of securing some prize from the ruins of the greatest empire in Europe. Out of the wreck Sweden gained much of the North German coast, and the sea power of the Hanseatic cities disappeared. When the Diet at Nuremberg passed the measure which the Fuggers defeated, Holland and Belgium were included in the empire which the Zollverein would have created. At the end of the Thirty Years' War, Holland was an independent nation with a great colonial empire and Belgium had become a province of Spain. From over sixteen millions the population of the empire sank to less than six millions.¹

12. During the palmy days of the feudal system all Europe was equally disintegrated, and the Emperor of the East Franks was able to add Lotharingia to the lands which acknowledged him as suzerain. In the twelfth century, the German Empire reached the zenith of its power; when Frederick II. died in 1254, Professor Freeman says that "we may look on the power of the Empire, as the great leading State of Europe and the centre of all European history, as coming to an end". The period in which the strength of Germany decayed saw a great increase in German wealth and commerce, but the riches of the merchants of the Hanseatic and other leagues added little to the strength of their fatherland. The union of France and disunion of Germany enabled the French to increase their territory at the expense of their German neighbours. This process commenced in the thirteenth century, and slowly continued in spite of the injury inflicted on France by the Hundred Years' War and the schemes of the Dukes of Burgundy.²

¹ M, 280-283; c, iv., 418.

² M, 189, 191, 192.

13. When Duke Charles the Bold was killed in 1477, France seized the opportunity and greatly enlarged her dominion.¹ She would have completely blocked German access to the Western Mediterranean, had not the union of Germany and Spain interposed a fresh obstacle to French expansion. In choosing Charles of Spain as their emperor in 1519 instead of the French king Francis, the German electors voted against the reunion of Charlemagne's empire and in favour of dependence on Spain. The empire of Charles V. represents the apogee of Spanish not of German strength; and after the abdication of Charles until the end of the Thirty Years' War, the emperors of Germany were generally forced to lean upon the kings of Spain. The difficulty which then confronted Germany was that she could gain unity only by making the authority of the emperor paramount; but, had she done this, she would have merged her nationality in that of Spain.

14. The fortunes of the Hanse towns throw no little light upon the thoughts of German merchants during the time when their fatherland was hastening to her doom. The wars with the Danes and the Dutch, in the early part of the sixteenth century, destroyed the Hanseatic monopoly of the Baltic and freed the trade of the Scandinavian kingdoms from the Hanseatic yoke. There was a great division of opinion amongst the Hanse towns as to the wisdom of these wars, and Lübeck had to bear the brunt of the fighting. This division was accentuated when, later on, English cloth poured into Germany through the hands of English merchant adventurers, who had settled at Embden. Hamburg saw her trade fast disappearing, and

¹ M, 233.

invited the English to make their home with her. Lübeck accused Hamburg of treachery to the League, and the English merchants were expelled, only to find a warm welcome in the Hanseatic towns of Elbing and Stade.

15. Under the Spanish policy of the emperors, there were close commercial relations between Spain and the Hanse towns. The defeat of the Spanish Armada, in 1588, left the English and Dutch in command of the sea, and the subsequent capture by the English of a fleet of about sixty Hanseatic ships in the Tagus convinced the League that England was the foe they chiefly had to dread. In despair the Hanseatic merchants appealed to the German emperor, and obtained a decree expelling English merchants from Germany. The merchant adventurers found refuge in the Dutch port of Middelburgh, and from there carried on a great contraband trade with Germany. Queen Elizabeth also took formal possession of the Hanseatic Steelyard in London and deprived the Germans of all their privileges. These privileges the Germans failed to recover, although, in spite of the imperial decree, English merchants were soon once more established, first in Embden and Stade, and then in other Hanseatic towns.²

16. On the accession of James I., the Hanse merchants hoped that Elizabeth's policy would be reversed, but they soon discovered their mistake. At the same time they made another discovery which, had it been made earlier, would have saved them from ruin. It was that the strength of English commerce was due to its foundation on English production. Too late they appealed to the emperor to prohibit the exportation of German wool and to encourage the weaving industry in

¹ W, 346 *seq.*, 450 *seq.*

² W, 463-466.

Germany.¹ This should have been done in 1522, when the free cities opposed the Zollverein; in 1604 the empire was beginning to crumble. Four years later the rival forces within the empire were formally marshalled, in readiness for the inevitable civil war, as the Protestant Union and the Catholic League. In 1618 the Thirty Years' War broke out.

17. When it was evident that the Baltic towns would be involved in the German Civil War which was spreading so rapidly, Denmark, Sweden and Spain unsuccessfully tried to induce the Hanseatic League to join the side they favoured. In 1627 Spain offered to share the trade of the Indies with the Hanseats if they would form the desired alliance, but the destruction of the Armada and Heemskerck's exploit at Gibraltar had taught the League that it was idle to hope that Spain could protect them from the anger of England and Holland. Although the German emperor supported the Spanish proposal, the merchants returned an evasive answer, and asked to be allowed to remain neutral during the war. The merchants, who had created the disunion of Germany, asked to be spared from the suffering which was to be the portion of their fellow-countrymen. The request was too preposterous, and the wealth and prosperity of the North German towns vanished in the general ruin.²

18. With the destruction of her sea power, the Baltic and North Sea became prison walls to Germany; and the French succeeded in creating similar barriers in Savoy and Switzerland, which severed the communication between Spain and Germany. She also continued the series of conquests in Lotharingia which led her to the

¹ W, 466.

² W, 336 *seq.*

Rhine, and in the end proved so disastrous to her welfare. Worse than the loss of territory and sea power, worse even than the fearful destruction of life and property, was the blow struck by the Thirty Years' War at the unity and freedom of the German people. As late as the eighteenth century, Germany was divided into three hundred petty States. Production, sea power, freedom, and almost all hope of national union perished simultaneously. Two hundred years had to elapse before the protection afforded by the Zollverein could once more demonstrate the strength of the nation, which free trade had all but destroyed.¹

¹ I, 390; M, 282, 283.

XIV.

AN IMITATION OF ROME.

SPAIN.

1. Saracen conquests in Spain.
2. Christian kingdoms formed in Spain.
3. Unification of Spain in the fifteenth century.
4. The Iberian nations obtained the monopoly of the world's commerce.
5. Spain's downfall has been erroneously ascribed to protection.
6. The fiscal policy of Spain.
7. Her attempt to revive the tribute system.
8. The expulsion of workers from Spain.
9. Spain tried to live on her provinces.
10. Rapidity of Spain's downfall.
11. The Iberian colonies were not attacked by Great Britain.
12. They were commercially penetrated by the producing nations.
13. The change in British feeling towards Spain.
14. France became the enemy of Europe.
15. The weakness of Spain inspired contempt.
16. Attempted union between France and Spain.
17. Great Britain throve on the decay of Spain.
18. Portugal became dependent on Great Britain, and Spain on France.
19. In the nineteenth century Great Britain preached the brotherhood of man to the land she had ruined.

I. THE West Goths, who took possession of Spain when the power of Rome declined, were conquered by the Saracens early in the eighth century. The South of Spain,

which Justinian had recovered for the Eastern Roman Empire, accepted without difficulty the creed of Mahomed. To the dwellers in Granada, the Saracens brought freedom from the tribute which Byzantium exacted; but, when the tide of conquest spread northwards, the Saracens found their task increasingly difficult. They were able to subdue Central and Northern Spain, but their further progress was checked by the Franks, under Charles Martel, in 732.¹

2. In Central and Northern Spain, the Saracens failed to completely absorb the people, who either sullenly acquiesced in alien rule, or maintained their independence in the mountainous regions of the Pyrenees. When the Seljouks and the Crusaders weakened the power of the Caliphs, the Spanish people began slowly but surely to create a Christian Spain by driving the Mahomedans south, until, at the end of the thirteenth century, the Moors were confined to the small southern kingdom of Granada, where the absorption of the people had been complete. The rest of the Iberian peninsula was divided into four Christian kingdoms, Castile, which embraced nearly two-thirds of the whole area, Portugal, Aragon, and the small State of Navarre.²

3. The marriage of Ferdinand and Isabella united Aragon and Castile in 1474; Granada was conquered in 1492; and Navarre was added to Spain in 1512. Thus, in less than fifty years, a great united nation arose, which looked westward towards the Atlantic and eastward towards the Mediterranean, and commanded the Straits of Gibraltar. In the Mediterranean Spain owned Sardinia and Sicily, and to these Southern Italy was soon added.³

¹ M, 104, 106, 118, 123, 125.

² M, 162-164, 171, 204, 205.

³ M, 238, 239, 251-254.

Arrangements were made to absorb Portugal by the peaceful method of a royal marriage, but an unexpected series of deaths delayed the complete unification of the Iberian peninsula until 1580.

4. Fortune, however, seemed determined to shower all her favours on the youngest nation, and the series of deaths, which postponed the absorption of Portugal, endowed Spain with the Low Countries, not only the manufacturing towns of Flanders, which France had tried hard to annex, but also Holland with its fishing industry and mercantile marine. But greater even than this European empire, the voyages of Columbus and Vasco da Gama gave Spain and Portugal, destined soon to be united, the monopoly of trade with the Americas, Africa and Asia. To make their monopolies secure, the Iberian kings obtained from one of the worst of popes what Christendom at the time regarded as God's sanction for their acquisitions. The Western world was given to Spain, and the Eastern to Portugal, but imperfect knowledge of geography included the Brazils in the grant which the Portuguese obtained.¹

5. It is not surprising that, when Spain absorbed Portugal in the reign of Philip II., she appeared to surpass all other nations in strength. Why was Spain's fall as sudden as her rise? The answer to this question should interest England, which now occupies a somewhat similar position to that once occupied by Spain. In Cobden's time the free trader would have unhesitatingly answered that protection was the cause of the fall of Spain. So universally was this believed in those uncritical days, that Disraeli, when he was arguing against

¹ c, i., 23, 24.

free trade, erroneously admitted that the ruin of Spain was due to excessive protection.¹

6. It is, however, certain that the economic policy of Spain was even further removed from protection than from free trade, and it is surprising that Englishmen had not learned this from the *Wealth of Nations* which was so highly esteemed at that time. Adam Smith assigned the ruin of Spanish manufacture to restrictions on colonial trade, to the prohibition of the exportation of gold and silver, to export duties levied on Spanish products, to excessive taxation on home industry and commerce, and to the maladministration of justice.² He did not attribute it to protective import duties on foreign manufactures, because he had learned from the Spanish writer, Ustariz, that the fiscal system of Spain was arranged in accordance with the theory, held by the Spanish, that foreigners paid the export duties whilst they themselves paid the duties on imports,³ and that therefore their import duties were light whilst their export duties were heavy.

7. The fiscal system, which led to the ruin of Spain, was an attempt to revive the policy of Rome, imports without exports. After Spain had seized the wealth which Peruvians and Mexicans had been acquiring for centuries, the mines at Potosi and elsewhere supplied Spain with the precious metals, just as in former days the mines of Spain had supplied Rome, and slaves worked the American mines as slaves had once worked those in Spain.⁴ Under Philip II., Spain tried to treat the Netherlands as Rome treated the productive East, and, had the Spanish designs on England succeeded, Dutchmen and

¹ vv, i., 131.

² A, bk. iv., ch. vii., pt. 3.

³ bb, 90.

⁴ B, i., 159.

Englishmen would both have experienced the misery of provincials in a cosmopolitan empire.

8. The Spanish infantry gained a reputation like that of the Roman legions, and it appears at one time to have been the ambition of Spain to turn all her sons into soldiers and sailors. She expelled all her most industrious citizens, and refused to allow foreigners to fill their places. Even intermarriage with the Spanish and conformity to the Christian faith did not save the Moriscos from expulsion in the beginning of the seventeenth century. At first the monopoly of American trade gave a great impetus to Spanish manufactures, but the nobility, who were not allowed to engage in industry or commerce, controlled the Cortes, and secured the entry of cheap foreign goods.

9. "At the close of Charles's reign cheap foreign silks and woollens were encouraged by the Cortes, while the Spanish factories were forbidden to make the more expensive cloths for which they were justly celebrated. Native manufacturers vainly petitioned that imported woollens should be subjected to the same severe tests of measurement and quality as their own. The Cortes cared more for the consumer than for the producer, and the interest of the former is rather import than export. This is certainly not the sign of a protective country. . . . Only after Charles had transferred the government of Spain to his son, could the Cortes make their more ruinous experiments in sacrificing agriculture to pasturage, and in ruining manufacture by the prohibition of export. Of this latter heresy the most extreme expression was the proposal to prohibit all export to the colonies, in order to force the colonists to dig and weave, and so cheapen the price of home products for the clamorous home consumer,"¹

¹ g, ii., 50-53.

Like his Roman prototype, the Spaniard wished to have food and clothing without the trouble of working for them.

10. Spain's folly produced its natural result. Incessant wars, with foreign Powers and with her own subjects, exhausted the treasure sent to Spain from America. Gold and silver were smuggled out of the country. When Spain expelled the Moriscos her decline became rapid. Aided by the French, Portugal revolted from Spain in 1640. In 1648 Spain was compelled not only to recognise the independence of Holland, but to admit that the Dutch had a right to trade in Brazil and the East, and to allow the Dutch to ruin the Spanish seaport, Antwerp, by permanently closing the Scheldt.¹ In 1668 Portugal was recognised by Spain as an independent kingdom.

11. Whilst Portugal formed part of the Spanish empire, Dutch merchants had commercially invaded the Portuguese colonies, and had, in this way, founded a Dutch colonial empire. But when Portugal revolted in 1640, many colonies, in particular the Brazils, threw off the Dutch commercial yoke and became once more Portuguese.² Other colonies were not able to evict the Dutch traders; these at present form the Empire of Holland. During the wars of the eighteenth century, the three weaker Powers, Holland, Spain and Portugal, retained most of their distant colonies. In the case of Spain and Portugal practically all their colonies were retained, although Spain was forced to surrender to stronger Powers every acre of European soil she possessed outside the Iberian peninsula and the adjacent Balearic Islands.

12. It seems at first strange that the British should

¹ C, iv., 716.

² C, iv., 752, 753.

have taken North America and India from France, a strong, protective, and productive Power, and yet have left South America and Mexico, the lands of gold and silver, in the hands of Spain and Portugal. It was, however, natural that Great Britain, looking for markets for her surplus production rather than outlets for her surplus population, should have viewed French, Dutch, Spanish, and Portuguese colonies very differently. France protected her production and her colonial trade, hence her colonies were closed to British products and were vigorously attacked. Holland and Spain protected trade and not production, hence the British tried to penetrate their colonies by peaceful methods, such as smuggling. It was only when peaceful penetration failed that force was resorted to. By the Methuen treaty, signed in 1703, Portugal abandoned all idea of competing with England in production, and, at the same time, gave England preferential treatment in her markets, hence English producers cheerfully paid to the Portuguese middlemen the toll which they resented paying to the Spaniard or the Dutchman.¹

13. The rapidity, with which Spain decayed owing to her blind adherence to an antiquated economic system, is shown by the hatred of Spain expressed in the outburst of joy in London at the failure of the proposed Spanish marriage in 1623, and the backing given by the London mob to the Spanish ambassador in 1661, when he claimed precedence over the ambassador of France. At the latter time Pepys wrote: "We do all naturally love the Spanish and hate the French".² Spain was loved because her decay was so pronounced that she had

¹ k, 206.

² a, iii., 116, 374.

ceased to hinder the development of British industry and commerce. In 1678 English antipathy to France and sympathy with Spain had become so strong that Charles II. was forced by public opinion to make common cause with Spain and her allies against France, whose strength had been increasing so enormously ever since that great protectionist Minister of France, Colbert, took office in 1661.

14. Bribed by King Louis of France, Charles recalled his soldiers from Ostend, and the peace of Nimeguen was signed in 1678, by which French territory was increased at the expense of Spain.¹ Ten years of comparative peace ensued, during which Louis continually increased his dominions, using first one pretext and then another, until he had at last alienated all Europe. To protect themselves those former foes, the Kings of Spain and Sweden, formed the League of Augsburg with a number of German princes. In 1688 Louis declared war against Germany and moved towards the Rhine. Then the pent-up fury of the British people burst forth, and James II. fled in terror to France. With him went the pro-French Stuart policy, and under that great Stadtholder of Holland, William III. of England, Great Britain and Holland ranged themselves on the side of Spain.²

15. When the war of the League of Augsburg was ended by the peace of Ryswick, the sea power of France had been ruined by England. France restored to Spain and Germany most of the territory she had acquired in and since 1678; but Spain owed this success not to her strength but to her weakness.³ Her stolen territory was restored to the proudest Catholic nation in Europe by

¹ k, 168, 169.² k, 173, 176, 178.³ k, 196, 197.

Protestants who had lately been her bitterest foes. It was given her because she had ceased to be feared. As long as France was weakened, it mattered little whether Spain had or had not an increase of territory.

16. When Spain plundered America, English pirates intercepted the plunder and laid it at the feet of Queen Elizabeth; when Spain abandoned this crude method of extracting wealth for the more subtle methods of commerce, British smugglers evaded the toll Spain tried to exact from them. This indirect attack upon the wealth of Spain was more fatal than the direct attack of France; hence, in spite of the territory the Spanish had gained through their alliance with England, they looked with favour upon a scheme which would have united them with the French, and the French welcomed that settlement of the question of succession to the Spanish throne which would have peacefully given them all that they had vainly tried to win by war.

17. Nothing shows more clearly the state of decrepitude into which Spain had sunk than the treaties for the partition of the Spanish Empire which were signed by the Powers almost immediately after the peace of Ryswick. Had the Austrian claimant to the throne of Spain made good his claim, the Spanish Empire would have been equitably divided; but in spite of the partition treaties and the wishes of the Powers, the nominee of France became Philip V. of Spain in 1700. The War of the Spanish Succession began in 1702, and was ended by the peace of Utrecht in 1713. Spain suffered even more than France when the peace was made. From Spain, England obtained Minorca and Gibraltar; the Duke of Savoy and the Austrians divided between them her other European possessions and the island of Sardinia. Great Britain

also obtained important commercial concessions in the Spanish colonies, which were used to increase her already extensive smuggling trade.¹

18. The fear of losing her independence, if Spain and France were united, caused Portugal to throw in her lot unreservedly with Great Britain. After the Methuen treaty was signed in 1703, the British navy protected Portugal, and English manufactures dominated the Portuguese home and colonial markets. After the peace of Utrecht, Spain had the rare good fortune to have a national minister in Cardinal Alberoni. "He worked hard to bring up the revenues, rebuild the navy, and re-establish the army, while at the same time promoting manufactures, commerce and shipping, and the advance made in all these was remarkable." The prospect of the prey, about which they had quarrelled, escaping them caused Great Britain, France, Austria, and Holland to forget their rivalry. A quadruple alliance speedily reduced Spain to her former impotent condition. Henceforward, until the Peninsular War, Spain was the humble dependant of France.²

19. The Spanish tried to check the smuggling of the English by reforming their coastguard service in America, and thus caused friction which led to the commencement in 1739 of the war of Jenkins' Ear between Great Britain and Spain. Two years later this war was merged in the European War of the Austrian Succession, but neither by this nor by subsequent wars was Spain able to stop the deadly attack of the British on her commercial prosperity.³ In war and peace, without regard to the morality of the means employed, Great Britain steadily worked to open

¹ k, 202-205, 218-221.

² k, 206, 208, 233-239.

³ k, 245-250, 262, 263.

the Spanish colonies to her production and commerce. In the early years of the nineteenth century, volunteers from England and the United States helped the Spanish colonies in South America to assert their independence, so that Canning could boast that a new world had been called into existence to redress the balance of the old. The open door in the Central and South American markets was secured by the Monroe doctrine.¹ Then with immense productive power, gained from protection in the past, and with the markets of the world open to her production, England piously preached to ruined Spain the gospel of the brotherhood of man and cosmopolitan free trade.²

¹ f, xi., 222, 223 ; ww, 502-506.

² tt, 13 *seq.*

XV.

COMMERCE FOUNDED ON PRODUCTION.

ENGLAND.

1. The gain of one nation is often the loss of another.
2. It was an advantage that England's commerce was originally in alien hands.
3. The debt England owes to protection.
4. England's greatness founded on sacrifice.
5. Sacrifices to gain weaving.
6. Sacrifices to gain dyeing and dressing.
7. Sacrifices to gain the cotton industry.
8. Sacrifices to gain shipping.
9. The British navy grew with British shipping.
10. Britain's foreign commerce was created by her production.
11. Freedom was sacrificed to gain union.
12. The economic aspect of the Reformation in England.
13. The Reformation united Great Britain.
14. The wars of religion were commercial wars.
15. Commercial interests caused the European coalition against Spain.
16. The Anglo-Dutch and Anglo-French wars were due to the same cause.
17. A long peace separated the two great Anglo-French duels.
18. Great Britain saw that Holland could be commercially penetrated.
19. Colbert's protective policy increased the strength of France.
20. Failure to recognise changed conditions caused the expulsion of the Stuarts.
21. Commencement of the eighteenth century Anglo-French wars.

I. FREE TRADERS believe that the growth of industry in a nation is always beneficial to her neighbours. The

cheerful optimism of this belief makes it alluring, but, unfortunately, history is not on the side of the philosophers. Great Britain has increased in population since 1846, but during the same period Ireland has lost half her population. Similarly, in the past, whilst Flanders was experiencing the woe of the vanquished in industrial war, England grew stronger, in spite of the cost of the Hundred Years' War, the loss of population from the Black Death, and the damage caused by the Wars of the Roses.

2. When Edward III. encouraged foreign merchants, he probably conferred almost as great a boon upon his country as he did when he developed English weaving. In his reign England was mainly an agricultural country with her commerce in alien hands. Had England developed her commerce before she developed her industry, it is more than possible that she would have been content, like the Germans and the Dutch, to neglect production for the ephemeral profits of trade. As it was, at an early date England learned to value productive power, and in the reign of Edward's grandson, Richard II., she discovered that manufacturing and agricultural production is the surest foundation on which to build the secondary industries, shipping and commerce.¹

3. For nearly five centuries England strove to make herself strong, united, and independent of the foreigner, by protecting agriculture, in order that the home-grown food supply might be sufficient; manufactures, in order that there might be work for English workers; and shipping, in order to breed a race of seamen who could not only defend their motherland, but win for her the empire of the sea.² The old English protective system

¹ R, 290, 291, 377, 378.

² R, 469, 470.

has been denounced by English theorists ever since Adam Smith pleaded for the adoption of the French system of *laissez faire*, but it is nevertheless true that the English system aimed at making England strong, united, and independent, and accomplished its aim.

4. When a nation whose manufactures are fully developed reverts to protection no serious sacrifice need be made, but this is evidently not true of an undeveloped country. In the past, England has often had to call upon her sons to endure some hardship, and they have invariably replied that no present sacrifice was too great if they might only bequeath to their children a stronger and more united country than they had inherited. With very few exceptions England's kings have in this matter been worthy of the men they ruled. To recite the sacrifices in full would be to give a history of England and English industry, since, as Thorold Rogers justly observed, all English manufactures are of foreign origin,¹ and were implanted in England by the co-operation of the whole nation. A few examples will be given from which the general development of British manufacture can be inferred.

5. When the export of raw wool was prohibited the export duties on wool formed no small part of the revenue of the king, and the foreigner paid the duty.² Nevertheless, this revenue was sacrificed and the weaving industry was gained. In the reign of Elizabeth an immense quantity of undressed and undyed cloth was sent to the Continent for the finishing processes. English merchant adventurers carried the cloth, so that the profits of manufacturing and carrying were in English hands. The alum

¹ O, 273, 274.

² O, 9, 10, 129.

mines of Europe belonged to the Popes, and, as alum was a necessity in the dressing of fine cloths, the English could not finish the cloth they had woven. When alum was discovered in Yorkshire, England won the secondary cloth-making industry in the same way as she had acquired the primary industry of weaving.¹

6. The exportation of undressed and undyed cloth was prohibited, although both the weaving and the carriage were sources of profit to Englishmen. The privileges of the merchant adventurers were temporarily revoked. With all their faults, the Stuarts at least realised that England's strength was the welfare of her workers, and not the wealth of her middlemen. Germany, at the beginning of the seventeenth century, was an object lesson to Great Britain of what happens to a country when middlemen are masters of her fate. The prohibition of the exportation of undressed cloth was followed by a commercial war with Holland, during which both countries suffered, but in the end Englishmen finished the cloth they had woven.²

7. Lancashire owes her cotton industry to sacrifices made by Great Britain. In the seventeenth century a cloth called fustian, of linen warp and cotton woof, was made in Manchester, and enthusiasts predicted that, if cheap Indian calicoes were excluded from England, in time English cotton cloth would be a serious rival to the Indian fabric.³ In spite of the opposition of rich East India merchants the importation of Indian printed calicoes was forbidden in 1700.⁴ White calico was, however, still imported and calico printing was developed in England. In 1720 the use of printed cotton cloth was prohibited.⁵

¹ T, 3 to 11; U, 305-308.

² S, 233, 234.

³ n, 59, 60.

⁴ 11 W. III., c. 10; S, 463 *seq.*

⁵ 7 Geo. I., c. 7.

Some of the advocates of this measure asked that the prohibition should also extend to printed linens,¹ but, as this would have affected the Manchester fustian industry, their request was not granted. The growth of Manchester after 1720 was very rapid.² In 1736 doubts arose as to whether the wording of the Act of 1720 did not really include the fustians which were being so largely manufactured, and an Act was passed declaring that the previous Act was not to be interpreted as applying to British fustians.³ When the Lancashire cotton industry had so developed that the linen warp was unnecessary, the use of pure cotton cloth of British make was made legal in 1774.⁴ When the Lancashire cotton industry outgrew the home demand, in 1781, the exportation of cotton goods was fostered by bounties.⁵ If the ruin of Flanders has no lesson for cotton spinners, gratitude should make them anxious to co-operate with a fatherland which has done so much for them when they needed help.

8. In the interest of Holland, De Witt told his fellow-countrymen that they owed their shipping to their power of filling ships with cargoes of fish.⁶ Whilst the book was being written, England was affording a fresh proof of the law that shipping follows production. There were at the time plenty of Dutch and other foreign ships ready to carry English cloth, but this was not to the liking of the English. Protection for English shipping began towards the end of the fourteenth century, and, though often modified to meet the particular needs of the time, answered its purpose so well that Cromwell inherited from the Stuarts a mercantile marine which enabled England to dispense with the services of the Dutch.

¹ o, 24 *seq.*² m, ii., 407.³ 9 Geo. II., c. 4.⁴ 14 Geo. III., c. 72.⁵ 21 Geo. III., c. 40.⁶ Z, 29, 30.

9. These Navigation Acts were unquestionably opposed to the immediate interests of the consumer;¹ but with steady faith in the future, the English bore all the sacrifices they entailed, and, in the same spirit, they faced the war with Holland which this policy produced. The result of their faith is not only the British mercantile marine but the British navy. Side by side these grew to maturity, fostered by the protective policy of Great Britain. The Spanish Armada was defeated and the battle of Trafalgar won in the weaving sheds of England. If there were Englishmen, like Lord Courtney,² ready to prophesy that English industry would not be able to hold its own in competition with the foreigner, their private opinions fortunately had no effect on English policy. England glories in her long list of heroic admirals, but doubts whether to praise or blame the statesmen who passed the Navigation Acts which gave her the fleets those admirals commanded.

10. Commerce is also the child of production. The Hanseats shared the commerce of Germany with the Swabians, but in England the Easterlings were almost supreme. Their privileged position was secured by treaties with English kings, and as late as the reign of Edward IV. they constantly improved this position. When Edward IV. granted privileges to the Germans, English merchants were promised like treatment in the Hanse towns. This promise was not kept, and in the reign of Edward VI. the privileges of the Easterlings were curtailed. Queen Mary, the only anti-national Tudor, restored the Easterlings to their former position; but Queen Elizabeth reverted to the policy of Edward

¹ R, 471.

² *Contemporary Review*, August, 1903.

VI. The Easterlings tried to contest the queen's decision, but they were now dealing with a united nation. They were deprived of their exceptional position, which they never regained.¹ The protected production of England gave her merchant adventurers such advantages that without difficulty they supplanted their rivals, whilst Germany was ruined by her middlemen.

11. To gain national unity and national strength the English made a sacrifice, greater than any of those already mentioned. When the weakness caused by the Wars of the Roses was fresh in men's minds, the English followed Machiavelli's advice and allowed the Tudors to govern despotically, knowing that they could abolish despotism when the need for it had passed away.² When the English gave up their liberty it was understood that their rulers must interpret the national will. Except for the five years when Mary was on the throne, the Tudors fulfilled their share of the tacit understanding, but the Stuarts, although they were fully alive to Britain's economic needs, failed in giving expression to the political ambition of the British, and this mistake cost Charles I. his head and James II. his throne.

12. It is difficult to show that any Tudor or Stuart king was Protestant from religious conviction. Certainly Henry VIII., who received from the Pope the title of Defender of the Faith, was no follower of the reformers. Nor was England averse to the old religion when Henry VIII. severed the connection with Rome. The ostensible reason for the separation was doubtless associated with Henry's peculiar views about marriage, and the immediate result was the abolition of the tribute Rome drew from

¹ R, 418, 497; S, 147, 223, 224; W, 432 *seq.*

² a, ii., 142; f, v., 483, 484.

her priests and monks in England, but there was another reason. Of what use to England would those dockyards and ships have been which Henry VIII. and his father took such pains to build ¹ had Englishmen sailed East or West with the prospect of the rope or stake in this life, and the certainty of eternal damnation in the next? After Henry's breach with Rome English sailors laughed at the Spanish ships, and at the papal bulls which gave the world to Spain and Portugal.

13. Every nation had the reformation it deserved. To many it brought discord and civil war; to Great Britain, unity and freedom from foreign interference. After the defeat of the Armada, Protestant Scotland ceased to look to the Continent for allies, and when, in 1603, Great Britain peacefully accepted James I. as king, the first step towards national union was taken. The advantages Englishmen enjoyed under their protective system were so great, that the prospect of sharing these blessings caused Scotland to desire the closer commercial and political union, which was accomplished in 1707. Unhappily the request of the Irish to be admitted to this union was refused, owing to the fear of Irish industrial competition, which English merchants loudly expressed.²

14. Historians call the wars of the eighteenth century commercial, and those of the two previous centuries wars of religion. It is difficult to understand the reason for this distinction. In the earlier wars, Catholic France, in alliance with the Protestant princes of Germany, was constantly engaged in fighting the Catholic rulers of Austria and Spain; and Protestant Great Britain, allied with Catholic France, fought Protestant Holland until

¹ uu, i., 403 *seq.*, 434 *seq.*; f, v., 96 *seq.*, 483.

² J, 36; bbb, i., 317-339.

the power of the Dutch was so reduced that Holland was no longer feared. Religion, indeed, seems to have played as small a part in these wars as it did when the army of Charles V., the great champion of Catholicism, sacked Rome.

15. None of these difficulties confront the reader, if he considers the earlier and later wars to have had the same cause, commercial competition. At the end of the fifteenth century Spain and Portugal owned the trade of the world, external to Europe. The kings of Spain aimed at reproducing the Empire of Rome. In this empire manufacturing Germany and Flanders would have represented the Eastern provinces of Rome and the Americas would have replaced the European provinces of the older empire. The objection of German and Dutch workers to subordinate their interests to those of Spain in this unnatural arrangement caused the civil wars in Germany and the Netherlands. Commercial jealousy led France and England to range themselves on the side of the rebels until the Spanish power was destroyed.

16. When it seemed probable that Spain's former province, Holland, would take the commercial position once held by Spain, France and Great Britain combined to prevent this repetition of the story of Venice and Constantinople. Holland, in turn, was crushed, and then, and not till then, the lists were cleared for the great duel between France and England, on the issue of which hung sea power and world empire. Great Britain, the victor in this duel, not only obtained control of the sources from which new raw materials, such as cotton, and the precious metals came, but also of the markets in which her manufactures could be exchanged for gold or whatever else she needed. The end of the eighteenth century was naturally

the golden age of British industrial invention ; British workers rushed into the fields to gather the golden harvest.¹ Then the British began to forget the sacrifices their forefathers had made, when they prepared and planted the fields, which were white for harvest.

17. The change in England's policy towards France, from war to peace and then again to war, was a gradual one. In the sixteenth century, when the value of the new Spanish markets was becoming evident, England still owned land in France which the French king coveted. The French retaliated, in the traditional way, by causing discord between England and Scotland. When Mary Tudor dragged England into a Spanish alliance, the French, by taking Calais, expelled the English from their last French possession. Elizabeth wisely acquiesced in the loss, and began her reign by making peace with France. With the unimportant exceptions of the ineffective help given by Charles I. to the French Protestants in La Rochelle, and the support given by France to the Dutch in 1666, this peace was not broken for 114 years.

18. These years saw the fall of Spain and the rise of Holland ; they also saw the series of Anglo-Dutch wars which Cromwell commenced, when it seemed as if Holland was destined to occupy the commercial position which Spain had lost. The peace of Breda, in 1667, opened England's eyes to the true character of the Dutch empire. After a hard fought war, in which the Dutch fleet ascended the Thames as far as Gravesend, took possession of Sheerness and burned shipping off Chatham, Holland abandoned her colonies of New Jersey and New York to Great Britain.² All men could see that free-trading Holland

¹ S, 609-611.

² K, 132.

could be peacefully penetrated, and was not worth powder and shot.

19. On the other hand, three great statesmen, Richelieu, Mazarin, and Colbert, in succession directed the policy of France. They aimed at giving France strength in production, strength on the sea, and strength in colonial markets, and naturally adopted the protective policy which England had used to such advantage. In particular during the twelve years of Colbert's Ministry, from 1661 to 1683, the naval power of France was enormously increased.¹ It then became evident that France was the nation which Great Britain had reason to fear. Public opinion forced Charles II., in 1668, to enter into an alliance with Holland and Sweden, the object of which was to check the growing power of France. Of this alliance Pepys wrote: "It is the only good public thing that hath been done since the king came to England".²

20. Unfortunately the Stuarts had inherited from the Tudors their love of arbitrary power, but not their keen perception of the political ambition of their country. Charles, against the spirit of the Triple Alliance, joined France in an attack on Holland in 1672. Two years later Charles was again forced by his subjects to make peace with the Dutch, but both he and, after him, his brother James II. continued the secret *entente* with France. In the end the Stuarts wore out the patience of their subjects, and in 1688 James fled to France, and William III., Stadtholder of the Dutch republic, sat on the English throne. Henceforward the policy of Great Britain was directed by the people, and the great struggle with France began.

¹ k, 69 *seq.*

² a, iii., 390.

21. It may be left to ingenious free-trade philosophers to explain why, in the wars of the eighteenth century, though most European nations were forced to share the suffering which war always entails, two protected nations, Great Britain and France, were the only ones which had any chance of winning the great prize, sea power and world empire. Protectionists are content to accept the fact without attempting to explain it away.

XVI.

STRENGTH SACRIFICED FOR WEALTH.

HOLLAND.

1. Dutch wealth originally came from production.
2. The Dutch gained commerce from the ruin of their neighbours.
3. Their rapid decline was due to free trade and disunion.
4. They were unwilling to make sacrifices.
5. They were both courageous and greedy.
6. They cared little for their workers.
7. They cared little for their colonies.
8. When Holland was prosperous the Dutch were producers.
9. Holland had practically the advantage of an insular position.
10. The Dutch navy had glorious traditions.
11. Dutch merchants neglected their navy.
12. The result of this neglect.
13. Dutch prosperity vanished with her navy.
14. Mr. Churchill's economic theory.
15. The Dutch tried to retain secondary industries.
16. Anglo-Dutch commercial war.
17. The discovery of alum in England.
18. The use England made of the discovery.

1. THE Eighty Years' War, which ruined Belgium, raised Holland into the rank of a great European Power. In the fifteenth century she had succeeded the Hanseatic League as chief fisher for Europe. Production bears to shipping and commerce the relation that raw material bears to manufacture. The nation which controls the

supply of cargoes can, if it will, acquire the ships which carry the cargoes. The Dutch learned to catch whales as well as herrings, and supplied Europe with light and food.¹ Thus their mercantile marine grew, and in time they took from the Hanse merchants their carrying trade which had ceased to be based on production.

2. Before the War of Independence, the Dutch had forced the Hanseatic League to allow their ships to enter the Baltic. When Spain absorbed Portugal, the Portuguese colonists regarded the Dutch as allies against their common foe, Spain; thus the Brazils and Portugal's Eastern colonies fell into Dutch hands. Antwerp was ruined by the war and the closing of the Scheldt; on her ruin Amsterdam rose, as Antwerp had risen on the ruin of Bruges.² The Thirty Years' War and the War of Dutch Independence ended simultaneously, and Holland gained much of the commerce which Germany lost. This combination of causes made Amsterdam the chief commercial city in the world, when Spain recognised the independence of the Dutch in 1648.

3. In little more than fifty years the Dutch lost this commanding position through their obstinate conservatism. They had gained wealth as disunited provinces working under a mediæval trade system; and they refused to change their policy, when their protected neighbours increased in strength more rapidly than they did. De Witt, who ruled Holland during the minority of William III., wrote of his country: "The English call the United Netherlands by the name of a republic; but these provinces are not one republic; each province apart is a sovereign republic, and these United Provinces should not

¹ Z, 26 *seq.*

² k, 35.

be called a republic in the singular, but federated or united republics, in the plural number".¹

4. These united republics were in reality seven loosely connected oligarchies, so decentralised that "each of the maritime provinces had its own fleet and its own admiralty, with consequent jealousies". Such national folly deserved the punishment which it received. The rich were the rulers, and their rule was only tempered by outbursts of popular fury, such as those which led to the murder of the De Witts and the judicial murder of Barneveldt. Captain Mahan quotes De Witt's description of the men he ruled: "Never in time of peace and from fear of a rupture will they take resolutions strong enough to lead them to pecuniary sacrifices beforehand. The character of the Dutch is such that, unless danger stares them in the face, they are indisposed to lay out money for their own defence. I have to do with a people who, liberal to profusion where they ought to economise, are often sparing to avarice where they ought to spend." It is not pleasant to read Captain Mahan's comment: "England to some extent is now such a country".²

5. When in 1672 Dutch folly had left Holland defenceless against the French invaders, Dutch heroism called in the sea as an ally, and by cutting the dykes expelled the French. The mob, however, murdered De Witt; he lost his life because he had failed to persuade the free-trading middlemen, on whose support he depended, that efficiency and free trade are incompatible. Throughout Dutch history the curious contrast is constantly seen; in the nature of those kinsfolk of the English there was a strain of superb courage mingled

¹ jj, ii., 36.

² k, 49, 67, 68.

with a greed for wealth which made them forget the claims of their fatherland.

6. During the War of Independence the particularism ingrained in the Dutch character, which had defeated the efforts of the Burgundian dukes to unify the Netherlands, made the seven Dutch provinces almost indifferent when the ten industrial Belgian provinces remained Spanish and Catholic. All the Dutch seemed to care for was that the commerce of Antwerp, Amsterdam's competitor, might be ruined by closing the mouths of the Scheldt. Nothing shows more clearly the relative value the Dutch placed upon home production and international trade than the fact that after forty years of war with Spain they were ready to fight for another forty years rather than abandon the Eastern trade, but were ready to acquiesce in the halving of a nation already too small.¹

7. It was in accordance with their trading instincts that the Dutch did not attach great importance to colonial expansion. They were little affected when New York and New Jersey became English; absorbed in their ledgers, the Dutch merchants forgot their countrymen across the sea. When Portugal, in 1640, shook off the yoke of Spain, the Brazils and other Portuguese colonies had little difficulty in expelling the Dutch traders. The Dutch, however, still retained a most important empire in the Spice Islands of the East, but they have kept this empire because the colonial ambition of the British was satisfied without it. Thus Java was at one time a British colony, and was almost carelessly restored to the Dutch.

8. Though the Dutch lost the ten southern provinces, many of the Flemish artisans migrated north,² so that, in

¹ C, iii., 641, 642.

² Z, 53.

the time of Holland's greatest prosperity, De Witt estimated that manufactures employed more than a quarter of the population of the republic, and that these artisans were about equal in number to those engaged in the combined industries of fishing and shipping; he also estimated that not even one-eighth of the population could be supplied from the agriculture of the country.¹ Common prudence should have forced such a nation to protect its manufactures by every means in its power, but the Dutch were penny wise and pound foolish. The republic was ruled by middlemen who thought that, provided they did the trade, it was not of much importance whether the goods in which they dealt were made at home or abroad.

9. It is sometimes said that Great Britain has been able to annex the commerce of the Dutch, owing to the advantage she derived from her insular position; but, twice in Dutch history, Holland proved that, as long as she controlled the sea, she could beat off an invader by opening her dykes and thus artificially reproducing an insular condition. At first the Dutch appear to have understood this, and to have tried to maintain a two-Power standard for their navy. Captain Mahan writes that "until the peace with England in 1674, the Dutch navy was in point of numbers and equipment able to make a fair show against the combined navies of England and France," and that up to that time "economy was practised least of all upon the fleet".²

10. The Dutch navy had a glorious past. Such a victory as the destruction by Heemskerk of the Spanish fleet under the guns of Gibraltar was an achievement of which any nation might be proud.³ More than once

¹ Z, 41-43.² k, 68.³ c, iii., 639.

England had learned, from hard experience, to respect the courage of Dutch sailors and the skill of Dutch admirals. But the Dutch shared Sir Robert Peel's view that the best way to compete with foreign tariffs was to encourage free imports,¹ and when this folly had produced its natural result there were plenty of Dutch Cobdenites ready to advise their fellow-countrymen not to spend money on armaments, but rather to trust to "their good intentions and to Divine Providence".² Their good intention, like Cobden's, was to monopolise peacefully the trade of the world, and they were too optimistic to imagine that other nations would object.

11. When William III. united Holland and Great Britain, the Dutch middlemen believed that the time for retrenchment had arrived. They promptly handed over to their protected ally the duty and expense of maintaining an adequate fleet. In spite of their glorious naval traditions, the Dutch merchants compelled their sailors to humbly accept an inferior position. Of William III., Captain Mahan writes that "this Dutch prince consented that in the allied fleets, in councils of war, the Dutch admirals should sit below the junior English captain; and Dutch interests at sea were sacrificed as readily as Dutch pride to the demands of England".³ Great Britain was allied with Holland in the War of the Spanish Succession, and the folly of the Dutch was shown in the peace of Utrecht, which closed the war in 1713.

12. "While England came out from the war in good running condition, and fairly placed in that position of maritime supremacy which she has so long maintained, her old rival in trade and fighting was left hopelessly behind.

¹ nn, iv., 817.

² Y, i., 513.

³ k, 68.

As the result of the war Holland obtained nothing at sea—no colony, no station. . . . The visible decline of the Provinces dates from the Peace of Utrecht; the real decline began earlier. Holland ceased to be numbered among the great Powers of Europe, her navy was no longer a military factor in diplomacy, and her commerce also shared in the general decline of the State.”¹ Holland, however, still retained the so-called blessing of free trade.

13. After the treaty of Utrecht Holland's decline became rapid, and, in 1780, she had sunk to such insignificance that Great Britain, without much concern, added her to the list of her enemies, although this already included France, Spain, and the American colonies. “The additional enemy was of small account to Great Britain, whose geographical position effectually blocked the junction of the Dutch fleet with those of her other enemies. The possessions of Holland fell everywhere, except when saved by the French; while a bloody but wholly un-instructive battle between English and Dutch squadrons in the North Sea in August, 1781, was the only feat of arms illustrative of the old Dutch courage and obstinacy.”²

14. Mr. W. S. Churchill has suggested, in the House of Commons, that nations, in the course of their development, abandon primary for secondary industries, thus ceasing to be “mere hewers of wood and drawers of water”.³ This ingenious theory is contradicted by the facts which history has recorded; the past, indeed, is full of instances where the loss of the primary has been soon after followed by the loss of the secondary industry. Dutch history supplies a curious and striking illustration.

15. Alum, an essential raw material in the dressing of

¹ k, 221, 222.

² k, 406.

³ Hansard, 29th July, 1903.

fine cloth, was imported from the Turk until, in the middle of the fifteenth century, a large supply was discovered at Tolfa, in the States of the Pope. Then the faithful were forbidden to buy from the infidel, and the papal treasury was filled from the profits of this monopoly. In the Indulgence, which Luther denounced, one of the few sins which were not forgiven was buying alum from any other source than the mines at Tolfa. The Dutch, owing to their vast trade, and the Florentines, owing to their connection with the Papal States, were able to obtain supplies of alum with ease. Thus when England, in the sixteenth century, established her supremacy in weaving, Holland and Florence freely admitted English cloth, and made a large profit in the secondary industry of finishing it.¹

16. The English merchant adventurers were licensed as exporters of undressed cloth, but James I. abrogated their charter in 1614. The exportation of unfinished cloth was prohibited, and skilled dressers and dyers were imported from Holland. Thus possessing the primary industry, England obtained the secondary in the same violent way as she had used her monopoly of the raw material, wool, to acquire the primary industry of weaving. It is quite true that Holland retaliated by forbidding the importation of English-finished cloth, that a commercial war ensued which caused much suffering to both countries, and that finally the prohibitions were removed.² This is sometimes quoted as an instance of the injurious effect of protection, but the history of alum-mining in England throws a most interesting side-light upon this commercial war.

¹ R, 493; T, 3-11.

² S, 233, 234.

17. Towards the end of Queen Elizabeth's reign an English gentleman, afterwards Sir Thomas Chaloner, visited the Pope's alum works at Tolfa. He was struck by the resemblance between the rocks at Tolfa and those in the neighbourhood of Whitby. The process of obtaining alum was known only to Easterns and the Popes, and, to preserve the secret, workers in the alum-mines were liable to capital punishment if they left papal territory. Nevertheless Chaloner hid Italian alum-workers in large casks and smuggled them on board his ship. Then on his return to Yorkshire he started alum works. He was soon able to undersell the Pope, and the trade flourished in spite of a most comprehensive papal malediction.¹

18. New works were opened in 1600, and again in 1615; thus the business grew until ultimately England supplied Europe with alum.² It was to protect this industry as well as to obtain the industry of dressing cloth that England made sacrifices in the reign of James I. When English alum-mining was fully established, cheap alum and cheap cloth gave England so great an advantage in the work of dressing that prohibitory legislation could safely be abolished. Ultimately the whole of the cloth-making industry was in English hands. The Dutch, blindly adhering to their mediæval trade system, had no chance against England, with her fixed resolve to let no present sacrifice deter her from obtaining home production, shipping, and colonial markets.

¹ U, 305, 306.

² U, 307, 359.

XVII.

A NATION THAT TAXED HERSELF TO DEATH.

HOLLAND.

1. Dutch history is a stumbling-block to free traders.
2. Adam Smith's description of Holland.
3. His attempt to show that Holland was prosperous.
4. Playfair's account of Holland's decline.
5. Cary's opinion of Dutch trade.
6. Thorold Rogers' Oxford lectures.
7. His description of Holland's decline.
8. His description of Dutch patriotism.
9. Mr. Pigou's suggestion.
10. Antiquated commercial methods ruined Holland.
11. Adam Smith's description of the Bank of Amsterdam.
12. The sequel as told by Thorold Rogers.
13. The Dutch repeated their folly in the nineteenth century.
14. They tried to protect Dutch trade.
15. They refused to protect Belgian artisans.
16. Belgium revolted and obtained protection.

1. MUCH interest and not a little amusement can be obtained from reading the excuses given by free-trade writers for the downfall of Holland. Adam Smith could adroitly evade an explanation of the ruin of Germany in the seventeenth century by vague remarks about the difficulty of determining the sites of certain towns in the thirteenth and fourteenth centuries,¹ but the decay of

¹ A, bk. iii., ch. iv.

Holland was patent to all in 1776, and had to be accounted for. This difficulty is treated with much skill in the *Wealth of Nations*, from which book the following description can be gathered:—

2. Corn growing in Holland had been largely abandoned, and most of the land was under grass. In the absence of a home-grown supply, dear corn had raised the price of labour and thus “ruined the greater part of the manufactures of Holland”.¹ The linen manufacture still survived, but Holland derived “not only its whole wealth, but a great part of its necessary subsistence, from foreign trade”.² The Dutch were the great carriers for Europe and, in particular, acted as middlemen for French manufacturers.³ The country was subject to terrible taxation, the Dutch paid taxes on their houses, death duties, heavy stamp duties, and taxes on the necessities of life. The latter taxes threatened to ruin the Dutch fisheries and shipbuilding as they had already ruined Dutch manufactures. Adam Smith thought that the republican government was the principal support of the “present grandeur of Holland,” for the curious reason that under it rich men had more influence than under a monarchy.⁴

3. Truth compelled Adam Smith to give this somewhat depressing description of that country, whose fiscal system, he said, approached the nearest of any to perfect free trade; but at the same time he tried to prove that things were not quite as bad as they appeared. In proportion to its area and population, the province of Holland was “by far the richest country in Europe”. The

¹ A, bk. i., ch. xi., pts. 1 and 3; bk. v., ch. ii., art. 4.

² A, bk. iv., ch. vii., pt. 3, and ch. iii., pt. 2.

³ A, bk. ii., ch. v.; bk. i., ch. ix.; bk. iv., ch. iii., pt. 1.

⁴ A, bk. v., ch. ii., art. 1 and appendix, and art. 4.

Dutch Government could borrow money at 2 per cent., and private Dutchmen at 3 per cent. Wages were higher and trade profits lower than in England. From these facts he argued that there was no general decay in Holland, as had been pretended by some people, but only decay in some particular branches of trade.¹

4. Thirty years later, W. Playfair wrote of the decline of Holland, and gave the following reasons for the decline.² The internal taxes were increasing, whilst Dutch superiority over other countries in manufactures was steadily diminishing, consequently industry was not so well rewarded and was therefore less active. Dutch merchants preferred safe agencies for foreigners to trading on their own account, thus Dutch capital was employed to purchase goods in one country and sell them in another, instead of being used in home manufactures. The trade with India and the banking business had both been taken up by other nations.

5. Eighty years before the *Wealth of Nations* was published, Cary had described in pithy language the fundamental errors of Dutch trade. "Indeed the trade of the Dutch consists rather in Buying and Selling than Manufactures, most of their Profits arising from that and the Freights they make of their Ships; . . . besides they invent new ways of Trade by selling not only things they have but those they have not, great quantities of Brandy being disposed of every Year, which are never intended to be delivered, only the Buyer and Seller get or lose according to the Rates it bears at the times agreed on to make good the Bargains; such a Commerce to England would be of little Advantage, no more than jobbing for Guineas,

¹ A, bk. iv., ch. iii., pt. 2; bk. ii., ch. v.; bk. i., ch. ix.

² p. 66 *seq.*

this Nation would in no way advance its Wealth thereby, whose Profits depend on our Product and Manufactures ; But that Government raising its Incomes by the Inhabitants (who pay on all they eat, drink, or wear) cares not so much by what means each Person gets, as that they have People to pay, which are never wanting from all Nations, for as one goes away another comes, and every Temporary Resident advances their Revenue, therefore to increase their Numbers they make the Terms of Trade easie." ¹

6. In spite of the knowledge which Englishmen, such as Cary, possessed of the weakness of Holland, something may perhaps be said in defence of Adam Smith, since the *Wealth of Nations* was written more than one hundred and thirty years ago. But what excuse can be made for *The Economic Interpretation of History*, written by Thorold Rogers, Professor of Political Economy in the University of Oxford, and published in 1888? The book contains lectures given to Oxford students, and may be fairly taken as a type of what was taught in the palmy days of free trade. After describing the great debt Europe owes to the Dutch for their teaching in various branches of science, the author went on as follows:—

7. "But, above all things, they instructed during their long struggle after independence modern financiers in the art of taxation, for the exigencies of their position forced them to try every expedient for the discovery of ways and means by which the little republic could make head against the colossal armies and, as was believed, the inexhaustible wealth of Spain. The Dutch did not borrow till they had

¹ n, 123-125.

exhausted every other financial expedient. During the continuance of the Dutch excise, and after it was made permanent, in order to secure interest on the loans which the republic found it necessary to raise every Hollander, from the cradle to the grave, for every act of his daily life, and even for the voluntary and involuntary incidents of it, was taxed. He lived under the *régime* of a perpetual, sleepless, searching octroi. . . . They had none of those foolish notions which possess the minds of many modern financiers, that a government can put on customs duties and make foreigners pay them. . . . Nothing but a political education of the most stringent kind, a deference to authority which never was shown to power, would have induced this extraordinary people to submit to so searching a fiscal inquisition, and yet to remain so free from protectionist illusions. Their finance formed a precedent, but never became an example for other communities, perhaps because no other community has been animated by so intelligent a patriotism as that which marked the War of Dutch Independence.”¹

8. An earlier passage in the same book describes the patriotism which the professor so greatly admired: “Holland, though it grew no timber, was the principal mart for this produce, and like genuine traders, the most patriotic Hollander thought no scorn of selling materials of war to Philip of Spain and Louis of France. They believed, and quite correctly, that they could sell them the goods, and maintain war on a portion of the profits.”² It may surprise free-trade professors, but it cannot surprise ordinary Englishmen, that other nations did not imitate Dutch patriotism which led to Dutch taxation. There

¹ O, 436.² O, 215.

are even now English university economists who would apparently like Great Britain to imitate Holland in her free trade and her folly.

9. In the *Riddle of the Tariff*, written, in 1903, by Mr. Pigou, Fellow of King's College, Cambridge, and Jevons Memorial Lecturer at University College, London, the author discussed the threatening attitude of Germany towards Canada, when British goods were given a preference in the Canadian market. This was one solution of the difficulty suggested by Mr. Pigou: "We want Germany to refrain from replying to a specific act on the part of Canada in a way which, we must admit, she can defend with an exceedingly plausible argument. Are there not concessions and advantages connected, for example, with the use of coaling stations, which we could offer to her as an inducement to conform to our wishes?" Mr. Pigou was one of those who signed the famous letter to the *Times*.

10. The account given by Professor Thorold Rogers of the causes which led to the downfall of Holland is almost as strange as the patriotic ideal, taught by him to Oxford students in 1888. It is certain that the Dutch did not cling to free trade from any theoretical or sentimental views, but because they thought it wisest to continue the mediæval trade system, which they had inherited, and under which they had acquired wealth. When, in the eighteenth century, the Dutch found that trade was leaving their shores, they did alter their mediæval system, but only in the direction of free trade. They abolished even their slight mediæval duties, and naturally their trade continued its decline.²

¹kk, 58.

²oo, 191 seq.

11. In order to say all he could for Holland, Adam Smith chose to describe the Bank of Amsterdam, instead of the Bank of England, in his digression on sound methods of banking. Adam Smith wrote that "at Amsterdam no point of faith is better established than that, for every guilder circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasures of the bank. The city is guarantee that it should be so. The bank is under the direction of the four reigning burgomasters, who are changed every year. Each new set of burgomasters visits the treasure, compares it with the books, receives it upon oath, and delivers it over, with the same awful solemnity, to the set which succeeds; and in that sober and religious country, oaths are not yet disregarded."¹

12. Professor Thorold Rogers shall tell the sequel. Less than twenty years after the *Wealth of Nations* was published, "when the French invaded Holland in 1795, and perhaps expected the reward of patriots in the cellars of the Bank, they were found empty". The bullion was not hidden from the invaders in order that the depositors might receive their own, but Adam Smith's "sober and religious burgomasters" had "borrowed the capital for the Dutch East India Company," in which they were financially interested. When the Dutch East India Company failed, with it went the Bank of Amsterdam.² Modern protectionists have something to learn in the art of corruption from the old free-trading Dutch.

13. After the fall of Napoleon in 1815, the Congress of Vienna united Belgium and Holland in the Kingdom of the Netherlands. In spite of vicissitudes of fortune,

¹ A, bk, iv., ch. iii., pt. 1, Digression.

² O, 109, 110, 212.

both nations retained their former character. Holland was Protestant, agricultural, and lived mainly on trade, whilst Belgium was Catholic, industrial, and, as in Machiavelli's time, depended largely on the sale of her surplus production in the French market. In 1816 there was a strong feeling in Belgium against the importation of British goods. They were publicly burned at Ghent. The king's speech to the States-General promised protection for Belgian artisans, but the tariff imposed was inadequate.¹ To unite Belgium and Holland, it was necessary to bind them together by the ties of common commercial and industrial interests, but the Dutch traders refused to learn anything from their past history.

14. Canning summed up the Dutch attitude in his well-known despatch to the British ambassador at the Hague :—

Dear Bagot, in commerce the fault of the Dutch
Is giving too little, and asking too much,
So since on this policy Mynheer seems bent,
We'll clap on his vessels just 20 per cent.²

Whilst Dutch merchants refused protection to Belgian artisans, they displayed the greatest keenness in protecting the Dutch monopoly of trade with the Spice Islands which Great Britain had restored to the Netherlands.³ In the 'twenties Great Britain made vigorous use of reciprocal free trade as a weapon of offence. She was so strong that she had ceased to fear foreign competitors, and sought only to penetrate their defensive armour. In 1824⁴ the duties on raw materials were reduced, that on wool from sixpence to one penny, and in 1823 restrictions on shipping were abolished in favour of those nations who

¹ s, 1816, (124) *seq.*, 110; pp. 5, 6.

³ s, 1824, (160), (161).

² ll, ii., 422.

⁴ s, 1824, (88).

were willing to reciprocate.¹ Canning's threat of 20 per cent. was more than enough for the Dutch, and a favourable treaty was arranged in 1824.²

15. The reduction of the tariff on raw materials in 1824 profoundly affected other nations. It led to the Tariff of Abominations in the United States, and thus nearly brought about a civil war.³ It also caused the increase of the French tariff in 1825 which closed the French market to Belgian production.⁴ France had already partially excluded Belgian products, and the Netherlands had retaliated in 1823. The king at the time expressed his regret to the States-General at having to depart from the traditional free-trade policy.⁵ Now once more Belgium asked for increased protection, and the answer given was the English commercial treaty, which facilitated importation from Great Britain. The indignation of Belgian artisans was intensified, when they were compelled to submit to heavy taxation, levied to meet the expense caused by wars with the natives of the Spice Islands.⁶ Had these islands been as strictly preserved for Belgian manufacturers as they were for Dutch shipping and commerce, the taxation would have been fair, but Belgium had to share the expense whilst Holland reaped the profit. History promptly repeated itself. Exclusion from the French market caused distress in the southern provinces. Distress led to a revolution against the rulers of the country, and difference of religion and language embittered the commercial quarrel.

16. In the civil war which ensued, Belgium succeeded in freeing her artisans from the yoke of the Dutch mer-

¹ f, xi., 203.

² s, 1824, (161), (162).

³ c, vii., 376, 377.

⁴ s, 1825, (150).

⁵ s, 1823, (169), (170).

⁶ s, 1827, (286)-(288); 1828, (214)-(216); 1829, (200)-(201); 1830, (241).

chants, and one of the first acts of the new Belgian Government was to alter the fiscal system, and give Belgian workers the protection they had a right to demand.¹ In the nineteenth century the Zollverein gave Germany that unity which she had never before succeeded in obtaining, whilst free trade divided the small neighbouring kingdom which politicians had united. This contrast should convince sceptics that, in the present as in the past, protection of productive power is the strongest bond of national unity and the greatest source of national strength.

¹ s, 1833, (270) *seq.* ; 1834, (449) ; 1835, (476).

XVIII.

A NATION THAT WAS NEITHER HOT NOR COLD.

FRANCE.

1. The French are descendants of West Franks and Normans.
2. France has been influenced by two policies.
3. The royal power unified France.
4. France was unified in the fifteenth century.
5. The French failed to absorb Northern Flanders.
6. In the sixteenth century France profited by German disunion.
7. In the seventeenth century France became strong under a protective system.
8. This strength was partly wasted by Louis XIV.
9. Protection created a great French navy.
10. French production was injured by Louis XIV.
11. A European coalition crippled France.
12. France tried to absorb Spain and was defeated.
13. Nevertheless France grew in strength during the eighteenth century.
14. Anglo-French duel for sea power and world empire.
15. In 1761 France surrendered India and North America.
16. The man whom Louis XV. called "my thinker".

I. THE wars of the ninth century, which followed after the death of Charlemagne, so weakened the strength of the West Franks that the Normans found little difficulty in invading Western Europe. They established their power in Normandy, and just missed capturing Paris and becoming the dominant race in France. Ambition led

the Normans to attempt to establish themselves in such widely separated countries as England, Sicily, and France, and thus prevented them from exercising a dominant influence in any of the lands they conquered. They were most successful in England, where they soon amalgamated with their kinsfolk, the Danes and Saxons. The Sicilian Normans, carried away by their great project of conquering the Eastern Empire, spread themselves widely over many lands, and were lost amongst the millions of the vanquished.

2. In France the Normans were ultimately absorbed by the West Franks; but the process was a gradual one, and they had almost as much influence as the Franks in forming the character of the French people. In French history two policies can be distinctly traced: the Frankish, which looked eastward and aimed at the conquest of Lotharingia and the European trade routes, and the Norman, which looked westward towards the sea. In both directions the French found enemies in their path, and, when Europe was decentralised by the feudal system, the territory of the French kings shrank to such narrow dimensions that at one time it seemed as if France would share the fate of Lotharingia.

3. France was, however, well served by her kings; slowly but surely they overcame every obstacle to unification. One by one they added the fiefs of their vassals to the royal domain.¹ Fortunately for France most of her cities submitted to the royal power, before they had drunk of the poison of dependence on the foreigner. The international traders of the Hanseatic League failed to establish themselves in any part of France other than the

¹ Q. 270-273.

Flemish fiefs.¹ The poisoned cities in Flanders refused to unite, and these form no part of modern France. The greatest hindrances to French unification were the English kings and the Burgundian dukes. These rulers were not dependent on France for most of their lands, but they both owned French soil for which they owed allegiance to the French king. Bordeaux and Bruges are examples of the obstacle to national union which international trading cities created.

4. By the end of the fifteenth century, the unification of France had been nearly accomplished. The English were all-but expelled, and the death of Charles the Bold enabled the French to annex all the Burgundian fiefs except Flanders. Had the French king, Louis XI., succeeded in his attempt to marry his son, afterwards Charles VIII., to Mary, the heiress of Charles the Bold, the Low Countries would also have been added to France. But Maximilian, the son of the German emperor, secured the great matrimonial prize, and thus, under Maximilian's grandson, Charles V., France found herself encircled by the allied Powers of Spain, Germany, and the Netherlands. More than two centuries later, Louis XV., when he saw in Bruges the mausoleums of the Austrian dukes of Burgundy, said: "There is the source of all our wars".² This saying expressed a partial truth, but it left out of account that fruitful cause of French wars, the long Anglo-French struggle for sea power and markets.

5. At first the French unsuccessfully fought to save their Flemish fiefs from the Germans. Then suddenly, in the last decade of the fifteenth century, Charles VIII. of France, contenting himself with a formal acknowledgment

¹ W, 102-104.

² K, ii., 433.

of his suzerainty,¹ led a French army into Italy bent on converting the influence which France possessed in that disunited country into actual dominion. This was an example of Frankish policy, and illustrates the injury it always did to France. Spain had large Italian interests, and the German emperor had a historic right to suzerainty in Northern Italy. Thus Spain and Germany were drawn into an alliance against French aggression, which resulted in the expulsion of the French from Italy, and in the creation of the empire of Charles V.

6. Fortunately for France, the German emperor, during the sixteenth century, had his attention largely occupied by the internal divisions of Germany, and, when the abdication of Charles V. separated Spain from Germany, the Dutch war absorbed the energy of Spain and deprived her of her chief source of wealth—the industry of the Low Countries ;² England, fearing Spain nearly as much as France did, acquiesced in the loss of Calais, and established almost friendly relations with her former foe. Thus France was able to maintain her position in Europe in spite of the civil wars which were so great a source of weakness from 1559 to 1589.

7. When the French civil wars were ended by the accession of Henry IV., the new king devoted himself to fostering the productive power of France in every possible way. In particular, he introduced the silk industry, which ultimately greatly increased the national wealth.³ His policy was continued by three great ministers, Richelieu, Mazarin, and Colbert, who in succession helped to guide France from 1616 to 1683. Under these far-sighted rulers France gained industrial production, shipping, and colonies.

¹ c, i., 229, 454.² c, ii., 63 ; i, i., 310, 311.³ ss, 25, 78-80.

The Normans and Bretons had followed Columbus soon after his great voyage, but it was not until the reign of Henry IV. that this Norman policy found adequate expression in the foundation of the great French colony of Canada.¹ This colony grew until it included not only what is now the Dominion of Canada but the Mississippi valley, and Frenchmen also claimed the untrodden lands west of the great river.²

8. Following in the footsteps of Richelieu, Colbert founded a French East India Company, which at one time bade fair to create a French empire in India. When Mazarin died in 1661, Louis XIV. announced his intention of personally superintending the government of France. Richelieu and Mazarin had controlled the foreign relations of France as well as her finances and industrial affairs, but, under the new arrangement, Louis and his minister Louvois were able to waste in European wars the wealth with which Colbert's protective policy endowed France. This Frankish policy ultimately neutralised the good results of the Norman policy which Colbert adopted.³ In spite of the difficulties with which he had to contend, Colbert's policy during his twelve years' ministry produced some wonderful results.

9. "In 1661, when he took office, there were in the navy but thirty armed ships, of which three only had over sixty guns. In 1666 there were seventy, of which fifty were ships of the line and twenty were fire ships; in 1671 from seventy the number had increased to one hundred and ninety-six. In 1683 there were one hundred and seven ships of from twenty-four to one hundred and twenty guns, twelve of which carried over seventy-six

¹ K, v., 142-145.

² k, 69, 70, 71, 255.

³ k, 72-74, 242, 243.

guns, besides many smaller vessels. The order and system introduced into the dockyards made them vastly more efficient than the English."¹ Under Colbert efficiency and protection went hand in hand.

10. The strength Colbert had given to France became a menace when united to a policy which aimed at the extinction of European nationality in a cosmopolitan empire. Worn out with work and worry, Colbert died in 1683, and with him political wisdom fled from France. In 1685 Louis abandoned the policy of religious toleration, which had been consistently adhered to ever since Henry IV. signed the Edict of Nantes nearly a century before. The folly of Spain was repeated when France drove from her shores numbers of her most industrious citizens. The nations of Europe, thoroughly alarmed at the prospect of what awaited them if Louis' dream of a cosmopolitan empire were realised, formed the League of Augsburg. James fled from England in 1688, and under William III. Great Britain joined the European League.

11. After the accession of William III. France found herself, without an ally, at war with Europe. In 1692 the French fleet engaged the Dutch and English off Cape la Hougue, and suffered a great disaster. After this battle the navy which Colbert had created began to decay ; but this decay can only in part be attributed to the battle of La Hougue. It was mainly due to the increasing weakness of France, and this was largely caused by the shock French production received at the revocation of the Edict of Nantes.² Whether emigration of skilled workmen is caused by religious persecution or by free trade, its effect upon national strength cannot fail to be disastrous. In

¹ k, 72.

² k, 191-195.

1697 France acknowledged defeat, when in the treaty of Ryswick she restored the European territory which she had acquired during the previous nineteen years.

12. The failure of direct heirs to the Crown of Spain gave the French cause to hope that the cosmopolitan empire, which they had failed to win by their European wars, might yet be gained by the union of France and Spain. Both the Americas and India formed part of the vision of what awaited them if the French nominee became the King of Spain. The War of the Spanish Succession began with the eighteenth century; when the peace of Utrecht was signed in 1713, Great Britain was mistress of the sea, and, so far from gaining colonies, France was forced to cede Nova Scotia and Newfoundland to England.¹ Two years later Louis XIV. died.

13. The early years of his successor, Louis XV., were years of great commercial activity both in France and England. This led to wild speculation. Law's Mississippi Scheme and the South Sea Bubble ruined thousands in both countries, and thus made men forget the progress of both nations in colonial development and commerce. The English smuggling trade caused war between England and Spain in 1739, and before long this war was merged in the general European war of the Austrian Succession. In Europe this war was caused by a contest between claimants to the dominions of the House of Austria, but outside Europe it was waged to settle whether France or Great Britain was to possess the sea power, commerce, and markets of the world.²

14. In 1748 the European war was ended for a time by the peace of Aix-la-Chapelle, but the colonial struggle

¹ k, 219.

² b, 36 *seq.*

continued until, in 1756, the new European Seven Years' War began. In 1763 France acknowledged the completeness of her defeat by signing the treaty of Paris, which gave Canada to England and abandoned French pretensions to political influence in India. France had promised that Minorca should be given to Spain by the English at the end of the war. When England refused to comply with the French request, France gave Spain, as compensation, North America west of the Mississippi, and Spain ceded to England what are now the Southern States east of the Mississippi in exchange for Havana.¹

15. Doubtless France had suffered terribly, but this can also be said of England. On the sea England had, it is true, established so great a superiority that, after Hawke's victory in Quiberon Bay, the French were unable to dispute it in formal naval engagements, but swarms of French privateers waged a guerilla war against English commerce. "From 1756 to 1760, French privateers captured from the English more than twenty-five hundred merchantmen. In 1761, though France had not, so to speak, a single ship-of-the-line at sea, and though the English had taken two hundred and forty French privateers, their comrades still took eight hundred and twelve English vessels."² The soil of France was free from foreign invaders, and yet France tamely surrendered the empire of the world and the loyalty of her children across the seas.

16. When sixty years ago Cobden preached the gospel of Little England, he was only repeating the folly of the French economists in 1763. Indeed, from them, through the medium of Adam Smith, Cobden obtained the wild theories he taught. In the fifteenth

¹ k, 321, 322.

² k, 317, 318.

century Dr. Coëttier, through his influence over Louis XI., succeeded in amassing a fortune, but the injury Coëttier did to France fades into insignificance when compared with the misery Dr. Quesnai, physician to Louis XV., prepared for his unfortunate country. Quesnai's name is little known to-day; for obvious reasons his followers hardly mention him; but in 1763 his influence was widespread. Louis XV. called Quesnai "my thinker," and when the king ennobled him the doctor's coat-of-arms contained three pansies (*pensées*), and the motto was "*Propter cogitationem mentis*".¹ In 1763, when the treaty of Paris was signed, De Choiseul, minister of Louis XV., was for fighting to the bitter end; but the royal power was at that time supreme in France, and Louis' thinker, like his follower Cobden, was in favour of cutting the painter.²

¹ j, Art. Quesnay.

² K, ii., 444; v., 192.

XIX.

THE REIGN OF THE CIRCLE SQUARERS.

FRANCE.

1. Adam Smith's acquaintance with France.
2. His description of the French economists.
3. Their prophet was Dr. Quesnai.
4. The veneration in which Quesnai was held.
5. Quesnai's pamphlet on squaring the circle.
6. Quesnai's error in his free-trade pamphlet.
7. His promises to landowners and manufacturers.
8. His promises to the French people.
9. The real strength of his argument.
10. His one error led him to advocate free trade.
11. The prosperity of France in 1783.
12. The weakness of Great Britain.
13. Pitt's first services to his country.
14. Pitt's knowledge of commercial conditions and French theories.
15. The Eden treaty.
16. The effect the treaty produced in France.

1. IN 1764, the year after the treaty of Paris was signed, Adam Smith resigned the Chair of Moral Philosophy in the University of Glasgow in order to take the young Duke of Buccleuch to France for a few years. Long before he left Scotland Adam Smith had been in close touch with the literature of the French; he had been a diligent student of their great *Encyclopædia* from the publication of the first volume in 1751.¹ When in Paris

¹ bb, 118-120.

Adam Smith became intimately acquainted with Quesnai, Turgot, and other French economists and encyclopædists. In the *Wealth of Nations* he drew a graphic picture of the friends he made.

2. Having given a detailed description of the agricultural system of the French economists, Adam Smith continued : " This system, however, with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy ; and is upon that account, well worth the consideration of every man who wishes to examine with attention the principles of that very important science. Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are, perhaps, too narrow and confined ; yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society, and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal. Its followers are very numerous ; and as men are fond of paradoxes, and of appearing to understand what surpasses the comprehensions of ordinary people, the paradox which it maintains, concerning the unproductive nature of manufacturing labour, has not, perhaps, contributed a little to increase the number of its admirers. They have for some years past made a pretty considerable sect, distinguished in the French republic of letters by the name of the Economists." ¹

¹ A, bk. iv., ch. ix.

3. Expressed more briefly, this means that Adam Smith found the doctrine of free trade and *laissez faire* widely accepted in France, and that he believed in the theories whilst he saw the fallacy of the arguments on which they were founded. "This sect, in their works, which are very numerous, and which treat not only of what is properly called Political Economy, or of the nature and causes of the wealth of nations, but of every other branch of the system of civil government, all follow implicitly, and without any sensible variation, the doctrine of Mr. Quesnai. There is, upon this account, little variety in the greater part of their works. . . . The admiration of this whole sect for their master, who was himself a man of the greatest modesty and simplicity, is not inferior to that of any of the ancient philosophers for the founders of their respective systems." ¹

4. Then Adam Smith quoted the following extraordinary panegyric from the pen of the elder Marquis de Mirabeau: "There have been since the world began three great inventions which have principally given stability to political societies, independent of many other inventions which have enriched and adorned them. The first is the invention of writing, which alone gives human nature the power of transmitting, without alteration, its laws, its contracts, its annals, and its discoveries. The second is the invention of money, which binds together all the relations between civilised societies. The third is the economical table, the result of the other two, which completes them both by perfecting their object; the great discovery of our age, but of which our posterity will reap the benefit." ² Quesnai printed the economical table at

¹ A, bk. iv., ch. ix.

² A, bk. iv., ch. ix.

the royal printing press at Versailles in 1758, and the king's fingers are said to have pulled the first sheets.¹ Ungrateful posterity, in the shape of historians like Mr. Morley, scarcely notices Quesnai, whilst volumes are devoted to the sayings and doings of other encyclopædists or of mere disciples of Quesnai, like Turgot.

5. One reason for this silence may be found in the unfortunate fact that, after having triumphantly proved the truth of the principles of free trade in one pamphlet, Quesnai, in spite of the remonstrances of his friends, insisted on publishing another pamphlet in which he professed that he had performed the impossible feat of squaring the circle.² Now there is a peculiarity common to the arguments of those who write to show that the earth is flat, that the secret of perpetual motion has been discovered, that the circle can be squared, or that free imports are always beneficial to every country. There is always one little slip; otherwise the argument seems perfect. The art of this sort of writing is to make the slip as little noticeable as possible.

6. In his free-trade pamphlet, Quesnai's little slip was to assume that the producers of raw materials were the only workers in the community whose work increased national wealth. He said that, in a country where nature was not interfered with, this work was rewarded by an annual profit of 100 per cent., whereas manufacturers consumed, during their year of work, the exact equivalent of the goods they produced. In England, Quesnai said, the 100 per cent. profit was actually made.³ England was a highly protected country, anything but abandoned to the laws of nature, but this slight inconsistency did not disturb the arguments of the father of the theory of free trade.

¹ j, Art. Quesnay; yy, ii., 144. ² j, Art. Quesnay. ³ qq, 6.

7. The French had nearly forgotten the sequel of Law's Mississippi Scheme, and the future, Quesnai promised to France, if only his scheme were adopted, was so golden that his disciples were not inclined to criticise his arguments too closely. The landed aristocracy of France had been growing poorer, whilst low-born manufacturers and merchants were making fortunes.¹ If France would but return to a state of nature, abolish protective tariffs, and cease to struggle for foreign markets, all money invested in agriculture would yield 100 per cent. profit. Yet the manufacturers and merchants had no cause for alarm, since they would not only have cheap raw material and food, but French wealth would accumulate so rapidly that the supply of capital would soon be greater than the demands of agriculture, and then all the money they needed for their business would be theirs for the asking.

8. Nor were the interests of the people unconsidered; all the taxation under which they groaned was to be abolished, and in its place the public treasury was to be filled by a single tax on land. Yet the landowners were to gain by this arrangement, since in any case, according to Quesnai, they really paid all the taxation of the country, and, when it was levied on other people first, it was increased by the rapacity of those through whose hands it passed before it was taken from the only productive class in the community. This has a strangely familiar sound to British ears, but it can all be found in the *Tableau Œconomique* of Dr. Quesnai.²

9. In spite of absurdities, which at first strike the reader, there is much to be said for Quesnai's system. Quesnai saw that the possession of raw material was the only sure foundation for manufactures, and that, if a nation

¹ hh, 86-89; yy, i., 58 *seq.*; ii., 165 *seq.*

² qq, *passim*.

had control over the supply of raw material, it could, if it would, acquire manufactures, shipping and commerce ; but he failed to realise that this could only be accomplished by united effort, that every link in the chain must be supported by the strength of the whole nation, and that trusting to individual effort and to nature must lead a nation back to that crude natural condition from which it had originally emerged. He also failed to take into account the fact that tropical colonies were necessary if the supply of modern raw material was to be certain.

10. His error, in assuming that the nation as a whole gained nothing from manufacture, led him to advocate free trade which was bound to expose the highly developed manufactures of France to the full fury of British competition. He failed to consider that some French manufactures, like the cotton industry, depended on foreign raw material, and that all depended on foreign markets in which to dispose of their surplus production. He chose to be blind to the fact that Great Britain, owing to her sea power, had an advantage in these markets, which she was anything but anxious to share with her great rival, France.

11. Louis XVI. succeeded his grandfather, Louis XV., in 1774. Soon after his accession the free trader Turgot became controller-general of France, and, throughout the reign of this unfortunate king, the French economists, or physiocrats as they were called, directed the policy of France. The war of American Independence gave France the opportunity of revenging herself on Great Britain, and, when peace was signed in 1783, French prestige was largely restored.¹ The war had been popular in France, but the expense incurred was enormous, and the financial em-

¹ hh, 179 ; yy, ii., 166 *seq.*

barrassment of the government was seriously increased. Great Britain had even less cause to be satisfied with the outcome of the war; her people were no longer united, and disunion threatened to wreck the future of the British race.

12. In spite of the preponderance Great Britain had established on the sea, the contest between her and France seemed to be a very unequal one. The population of France was about three times that of Great Britain, and, owing to the refusal of Ireland's demand for union,¹ at Britain's very door there was a people, almost as numerous as the British, ready to rebel if there was any chance of success. French influence was supreme in Spain and in Holland, whilst the only ally, upon whom the British could count with certainty, was the small, but faithful, nation of the Portuguese.

13. Pitt has been called a disciple of Adam Smith; on the other hand Thorold Rogers says he was a disciple in the same sense that Judas was.² The probable explanation is that Pitt cared little for speculative opinions. His mission in life was to serve England, not to discover whether philosophers were right or wrong. Called to the highest office in the country in 1783, when, according to Lord Rosebery, "it was universally admitted that Great Britain had sunk to be a second, if not a third, rate Power,"³ Pitt devoted his whole energy to retrieving for Great Britain the position she had lost. In five years' time he succeeded in effacing the memory of the late war with Holland and in forming a triple alliance between the Prussians, the Dutch, and the British.⁴ But he did even more when he

¹ bbb, i., 317-339.

³ aa, 59.

² O, 470.

⁴ c, viii., 289.

sent Eden to Paris to make the commercial treaty with France which was signed in 1786.

14. It was no secret to Pitt that French economists held France in the hollow of their hands; he knew this from the *Wealth of Nations* as well as from other sources. He knew also that Adam Smith's system was derived from the physiocrats,¹ and that, if the French would only act up to their principles and adopt free trade, England would regain in commerce much of what she had lost in war. For, whilst Adam Smith was writing, Watt had been improving the steam-engine, so that coal was about to supersede wind and water as a motive power. Coal cost 9s. a ton in Manchester, and over £2 a ton in Rouen, the Manchester of France; and, before it was employed as a motive power, it was used in the manufacture of cotton cloth.² Arkwright, Hargreaves, Compton and other English inventors had not worked in vain. England had an enormous economic advantage in manufactures over France.³

15. If you believe that, when your country has a manifest economic advantage over her neighbour, it is your duty to enter into reciprocal free-trade relations with that neighbour, and if this belief justifies your being called a disciple of Adam Smith, then Pitt deserves the name. But unless you believe that free trade is good for all nations at all times and under all circumstances, you will find it difficult to understand why the French signed the Eden treaty. Pitt knew, as well as Captain Mahan does,⁴ that England had gained enormously from the Methuen treaty with Portugal; but Pitt was after even bigger game in 1786, and he was prepared to sacrifice the Methuen

¹ O, 348.

² Z, 524.

³ S, 609 *seq.*

⁴ K, 206, 208.

treaty, if he could only induce the French to adopt free trade with England. Great Britain had, however, staunch allies in the French free traders, and no sacrifice was asked from her in return for the admission of English goods at such low duties as to make French competition impossible.¹

16. "In 1786 Calonne gained his last successes: a favourable bargain with the Farmers-general and a commercial treaty with England. However empty the French Treasury, the French nation was at this time prosperous. Industry and commerce had thriven since the Peace of Versailles, and comfort and luxury were spreading." ² So says Professor Montague in the *Cambridge Modern History*, and French writers fully support his statements.³ Three years later France was starving; six years later the guillotine began its ceaseless work. The Reign of the Circle Squarers changed into the Reign of Terror. Pitt, the disciple of Adam Smith and thus indirectly of Quesnai, is declared and decreed "The enemy of mankind".⁴ War with Great Britain and an embargo on British goods could stop the terror; but, in spite of Austerlitz, Pitt's object was gained. Trafalgar and Waterloo have proved, for all time, the folly of trusting the future of a nation to philosophic circle squarers.

¹ c, viii., 26, 284, 285.

³ hh, 179, 180; yy, ii., 166, 167.

² c, viii., 99.

⁴ l, iii., 114.

XX.

WHAT HAPPENED WHEN THEY SQUARED THE CIRCLE.

FRANCE.

1. The causes of the Revolution according to the free traders.
2. The *Ancien Régime*.
3. The condition of the nobles and Rousseau's character.
4. The people suffered from taxation caused by wars.
5. Artisans rebelled whilst peasants fought for the king.
6. Arthur Young's visits to France.
7. The views of French manufacturers.
8. Arthur Young was biassed in favour of the Eden treaty.
9. The pamphlet of the French manufacturers.
10. The reply of a French economist.
11. Arthur Young's verdict.
12. Free-trade remedies for French distress.

I. FREE-TRADE historians probably scored their greatest triumph when they obscured the simple causes which led to the Reign of Terror. They have made people believe that a peculiarly oppressive feudal system existed in France in the eighteenth century, that the wrongs which the peasantry suffered at the hands of the nobles moved certain literary men to plead their cause, that the king and his government would not listen to the advice of the literary men, and that then the people obtained their rights by force.

2. Some relics of the feudal system did exist in France ; for that matter, they exist in England to-day. Whenever a purchaser of copyhold property pays a fine to the lord of the manor, he is paying an old feudal due. In Germany serfdom still continued, and in some of the recently annexed German provinces there were serfs who had not yet gained the liberty of the Frenchman. The peasant in France had not only ceased to be a serf, he had become a landed proprietor. The manorial dues varied in the different manors, and, when a list is collected from the *cahiers* or statements of grievances which were sent to Paris in 1789 from every part of France, the list has a formidable appearance. If, in 1789, every English town and village had been invited to send to parliament a list of the things which might with advantage have been altered, the list would probably have been as long. There were, it is true, yeoman farmers in England, but one-third of the land of France belonged to the peasants. The *corvée*, or obligation to work for the State or the landlord on certain days in the year, was a far milder burden in France than in Germany, and many of the dues the peasants complained of existed at the time in England as well as in Germany. Tithe is still paid in England. The revolution, however, occurred in France and not in Germany nor in England.¹

3. The governing body in France was chosen from the middle class and not from the nobles. For the most part the nobles were poor and idle, whilst the middle class was monopolising wealth and power.² One great object the economists had in view was to restore the aristocracy to its former greatness. Cobden shared many of their

¹ hh, 31-41 ; yy, ii., 226, 227.

² hh, 44, 45, 86-88 ; yy, i., 56 *seq.*

views, and, like them, he frankly admitted that he did not aim at placing power in the hands of the people.¹ It is true that Rousseau preached a different doctrine, but it is impossible to believe that any nation, unless driven mad by hunger, could ever have acted upon the ravings of an erotic maniac who is supposed to have committed suicide in one of his more violent paroxysms. In case this language is thought too strong, one fact out of many may be mentioned. Rousseau lived for twenty-five years with a kitchen-maid who was so ignorant that reading and writing were beyond her powers, and who took a month to learn to read the time from a clock. Rousseau stated that he had placed the five children born from this union in the box of the foundling hospital as soon as they were born, and rejoiced when officious friends were unable to trace them. No sane nation could ever have accepted such a man as a guide, although Mr. John Morley compares him to Plato and to One whom it seems blasphemous to mention in the same breath with Rousseau.²

4. There were doubtless irritating burdens laid upon peasants, and the exemption of the nobility and clergy from taxation was a great grievance, especially when the additional taxation due to the wars had to be paid. In normal times the internal economy of France to some extent adjusted itself to this condition ;³ but the suffering due to wars which had resulted in the loss of colonial markets was unquestionably severe.⁴ Both Rousseau and the economists professed the greatest anxiety to increase the welfare of the people. It is difficult to see what else they could have advocated. Their wish was shared by

¹ x, 946.

² ii, i., 3, 4, 107, 120, 128; ii., 312, 313, 326.

³ z, 353, 354.

⁴ yy, i., 25 *seq.*; ii., 199 *seq.*

the king, the Government, and by every section of the nation. Sympathy was so much the fashion that even official reports were written in a sentimental strain.¹ In spite of these good wishes it was no easy matter to transfer suddenly the burden of taxation to other shoulders without gross injustice. This was, however, done before the worst phases of the revolution.

5. Paris was not inhabited by peasants; it was the greatest manufacturing city in France.² In Paris the revolution broke out, and the example of Paris was followed by the manufacturing towns. Throughout the Terror, the strength of the movement was in these towns, particularly in Paris. The country-folk at first supported the revolutionary cause, but, when they learned its object, they spontaneously took up arms to restore the old state of things, even in such provinces as Brittany where the feudal dues had been most oppressive.³ This counter-revolution would have succeeded but for the resistance of the towns. It received its death-blow at the manufacturing town of Nantes. It is important to notice that this counter-revolution was the work of the peasants themselves. They first rose, and then asked their seigneurs to lead them.⁴ Throughout the revolution the king and the nobility appear to have been paralysed by their sympathy for the sufferings of the people. In short, the feudal explanation of the causes of the French revolution is most unsatisfying.

6. There was living in England, when the Eden treaty was signed, a gentleman called Arthur Young, who had made the study of agriculture his work in life. He was

¹ hh, 71, 178, 179; yy, i., 51 *seq.*; ii., 149 *seq.*, 209.

² hh, 83, 84; yy, ii., 166.

³ z, 601, 602.

⁴ c, viii., 266, 341; z, 536, 552.

already well known, owing to his writings, when he visited France in 1787, 1788, and 1789, in order to compare the conditions in France with those which prevailed in England. As a distinguished writer he was most cordially received in France, and was allowed every facility for his investigation. He is quoted by both French and English historians as the great authority on life in France immediately before the revolution. Strongly biassed in favour of agriculture, he accepted many of the views of the economists, but objected strongly to their single tax on the net product of land.¹ Whilst he devoted his attention mainly to agriculture, he naturally also investigated the conditions of the town markets in which agricultural products were sold, and thus, during his travels, he collected a mass of information concerning French industry and commerce.

7. Two days after leaving Calais, in 1787, he was at Abbeville, where he wrote: "I had many inquiries concerning wool and woollens to make here; and, in conversation with the manufacturers, found them great politicians, condemning with violence the new commercial treaty with England". At Amiens he was told that "Amiens would be ruined, and that on this point there was but one opinion". At Beauvais "the opinion universal among the manufacturers here is, that the English fabrics are so superior in cheapness, from the wise policy of the encouragements given by government, that those of Beauvais, should they come in competition, must sink, . . . and they think that the most mischievous war would not have been so injurious to France as this most pernicious treaty". At Lille "I nowhere met with more violence of sentiment, relative to this treaty, than here;

¹ *z*, 590 *seq.*

the manufacturers will not speak of it with any patience; they wish for nothing but a war; they may be said to pray for one, as the only means of escaping that ideal ruin which they are all sure must flow from the influx of English fabrics to rival their own. This opinion struck me as an extraordinary infatuation." The manufacturers of Nantes and Rouen expressed similar opinions.¹

8. As a patriotic Englishman, Young was strongly in favour of the treaty, and, although he was compelled as an accurate observer to put on record the adverse opinions he heard in France, he added all those he could collect in its favour. Thus at Bordeaux, "the commercial treaty with England being a subject too interesting not to demand attention, we made the necessary inquiries. Here it is considered as a wise measure, that tends equally to the benefit of both countries." At Bordeaux they were selling French wines and getting in return cheap goods from England. They naturally thought that the sun was shining brightly, and forgot their brothers, the manufacturers of Normandy, who were left in the cold. This difference of opinion was the cause of the civil war between the Girondists and the revolutionists of Paris, another instance of national disunion caused by free trade. Bordeaux was destined before long to pay dearly for her short prosperity. At the fair of Guibray a French cheap-jack selling English goods was a warm supporter of the treaty. He held advanced economic views, and explained that foreign competition always stimulated home manufactures.² It is the view a certain class of middlemen always expresses.

9. It is most interesting to read in the travels an account of the pamphlet published by the Chamber of

¹ Z, 5, 534-536.

² Z, 61, 93.

Commerce of Normandy and the reply which "the celebrated *économiste*, Mons. du Pont," afterwards deputy for Nemours, composed at the request of "the French Ministry, the Archbishop of Sens at their head, to remove the impression which they feared would follow the preceding memorial of the merchants and manufacturers of Normandie".¹ In the first pamphlet the members of the Chamber of Commerce inform their readers, that "in order to draw a fair comparison between the advantages and disadvantages of the two kingdoms in manufactures, they had deputed two merchants of Rouen, sufficiently understanding the fabrics of Normandie, and who spoke English, to take a journey to the manufacturing parts of England, in order to acquire authentic intelligence, and upon their return they were desired to make a similar tour through the manufactures of Normandie, that they might possess themselves of the knowledge requisite for a fair comparison". The source from which Mons. du Pont derived his information is not stated.

10. The manufacturers' pamphlet showed that, with coal at nine shillings a ton in Manchester and at over two pounds a ton in Rouen, English goods could be manufactured more cheaply, and that, as a matter of fact, English goods were driving home-made goods out of the French market. Mons. du Pont replied that more French wine was sold, that, although "the English have over us at present in some respects an advantage more or less solid in cotton stuffs, in small woollens, in pottery, in steel, and in leather," yet there was a new machine which would save the cotton trade, that the bright French dyes would ultimately save the woollen industry, that he knew of one manufacturer who was actually making "*bijoux* of steel," such as "watch

¹ Z, 522-531.

chains," cheaper than the English. Then "Mons. du Pont enters into a detail of the course of exchange through fifty-seven pages, from which he deduces the fact that the balance upon the trade, in consequence of the treaty, was in favour of France". This sounds refreshingly modern and English.

11. Unfortunately for Mons. du Pont's theory Arthur Young was able, within a few years, to give the following explanation of the cause of the French Revolution: "The rivalry of the English fabrics, in 1787 and 1788, was strong and successful; and the confusions that followed in all parts of the kingdom, had the effect of lessening the incomes of so many landlords, clergy, and men in public employments, and such numbers fled from the kingdom, that the general mass of the consumption of national fabrics sunk perhaps three-fourths. The men whose incomes were untouched, lessened their consumption greatly, from an apprehension of the unsettled state of things; the prospects of a civil war, suggested to every man, that his safety, perhaps his future bread, depended on the money which he could hoard. The inevitable consequence, was turning absolutely out of employment immense numbers of workmen. I have, in the diary of the journey, noticed the infinite misery to which I was a witness at Lyons, Abbeville, Amiens, etc., and by intelligence I understood that it was still worse at Rouen: the fact could not be otherwise. This effect, which was absolute death, by starving many thousands of families, was a result, that, in my opinion, might have been avoided."¹

12. The French historian, Taine, also states that "in Normandy, where the last commercial treaty had ruined the manufacture of cloth and of passementerie, forty

¹ *z*, 608, 609.

thousand workmen were out of work; in many parishes one-fourth of the population were begging".¹ Nevertheless, the National Assembly, which met in 1789, was unanimously on the side of the free-trade economists. The petition of the many *cahiers*, which asked for the immediate denunciation of the commercial treaty, was disregarded.² All feudal dues were abolished, a brand-new constitution was given to France, and the single tax on the net produce of land replaced the previous unequal taxation. In 1784, when other countries were reserving their colonial trade, the French, acting on the advice of the economists, threw theirs open to the world—naturally French trade declined.³ In 1786 the same economists induced their fellow-countrymen to expose French industry to the blight of English competition—naturally the manufacturers of France were ruined and their workmen starved. Then they persuaded the Assembly, in 1789, to adopt the single tax on land, so that Arthur Young could write: "The present system of France, relative to agriculture, is curious; to encourage investments in land, tax it three hundred millions; to enable the land to pay it, prohibit the export of corn; that cultivation may be rich and spirited, encourage small farms; that cattle may be plentiful, forbid the enclosure of commons; and that the supply of the markets may be equal in summer as in winter, hang all monopolisers. Such may be called the agricultural code of the new government of France."⁴ After these achievements a large number of Girondist free traders ascended the steps which led to the guillotine, and the unemployed of Paris reigned in their stead.

¹ ee, iii., 6.² c, viii., 100.³ z, 510, 511.⁴ z, 498.

XXI.

THE UNEMPLOYED IN POWER.

FRANCE.

1. Reasons for the rapidity of ruin in France.
2. The bad harvest of 1788.
3. Unemployment due to severe winter.
4. When the Bastille fell, Paris was in the hands of a starving mob.
5. The Government of France was brought to Paris and overawed by the mob.
6. Distress caused anarchy, but at first the National Guard was recruited from the middle class.
7. Ultimately all power passed from the middle class to the unemployed.
8. Necker was compelled to assent to the policy of the economists.
9. His protectionist views were treated with contempt.
10. Paper money and theft were the financial expedients of the unemployed.
11. The economists advocated the free exportation of grain.
12. They were stopped by popular feeling.
13. Farmers were induced, and afterwards forced, to sell grain for paper.
14. Methods by which food was distributed to the unemployed.
15. France continued to offer a good market for British production.

I. THREE causes have hitherto preserved British production from disaster under the free-trade system; the advantage England possesses in her coal-fields, the relative inferiority of foreign manufactures in 1860, when free trade was definitely adopted, and the industrial dis-

organisation caused in the United States and in Europe by the wars which occurred between 1860 and 1870. In 1789 none of these factors told in favour of France, and, in addition, the seasons seemed determined to expose the weakness of free trade in the shortest possible time.

2. In 1788 the crops in France were seriously injured by drought, and a terrible hailstorm at the time of harvest destroyed the small amount there was to be gathered.¹ A nation which depends mainly on agriculture must starve if its harvest is a failure. If manufactures are in a sound condition, goods can be sold to the foreigner to pay for imported food, but when there is little or nothing to sell, foreign food can only be bought on credit. This is why the Irish died in 1846, and the French in 1789. In France all feared national bankruptcy, and the credit of the French Government vanished. In despair a National Assembly was summoned, and, in their *cahiers*, the people were asked to suggest methods for averting disaster.

3. The unemployed flocked to Paris only to find that work was as scarce there as in the provinces. The clerks, who collected the octroi at the entrances to Paris, reported the advent "of a frightful number of poorly clad men of sinister aspect". It is not necessary to assume that these were brigands. It is an appropriate description of a Rouen weaver who had been out of work for a considerable period when bread was at famine prices.² The winter of 1788 was the severest experienced since 1709; the Seine was frozen from Paris to Havre, and naturally building ceased.³ Finding no work, the unemployed asked for bread, and the Assembly gave them remission

¹ ee, iii., 4, 5.

² ee, iii., 38; mm, 126,

³ ee, iii., 5.

of feudal dues and a constitution. Even these were not given until the hungry unemployed had taken the Bastille and were the masters of Paris.

4. The taking of the Bastille was not a symbolic act which marked the end of the feudal system, but an important step taken by starving workmen along the short cut leading to real free food. The fortress commanded the quarters in which the Parisian artisans lived. The fifteen cannon on its ramparts had been depressed ready to fire on the houses which contained the wives and children of the workmen of Paris. Two days before it fell, the unemployed saw with extreme alarm that a large quantity of powder had been introduced into the fortress. The answer that might be made to a demand for food was tolerably obvious. Arms were seized in Paris, and the mob began what seemed a desperate assault. In the hope of pacifying the people, the governor promised to dismount the guns, but the mob still persevered. On 14th July, 1789, the Bastille fell, and Paris was at the mercy of the unemployed.¹

5. The harvest of 1789, though better than that of 1788, was insufficient.² Public and private charity failed to cope with the distress. National workshops were opened; "twelve thousand men were kept uselessly digging at Montmartre and paid twenty sous a day, yet the wharves and quays were covered with idlers, the Hôtel de Ville infested by them, and around the palace they seemed to be a reproach to disarmed justice". An assembly at Versailles, making constitutions and abolishing feudal dues, merely mocked the starving Parisian populace. A band of women marched to Versailles in October and brought back with them the king, the queen,

¹ cc, i., 61-64.

² ee, iii., 89-92.

and the dauphin. Now, they said, we shall have bread, since we have "the baker, the bakeress, and the baker's boy".¹ The Assembly followed the king to the metropolis, and henceforward the Parisian mob ruled France as well as Paris.

6. The beginning of the Revolution was little more than a horrible struggle for food. Town fought with town for grain, and Paris, stronger than the rest, obtained the lion's share.² Bailly, the mayor of Paris, and Lafayette, commander of the volunteers, who replaced the king's forces, did their best, but power slipped from them. At first the National Guard was mainly recruited from the middle classes, and served a useful purpose in maintaining a certain amount of order, thus securing the safe arrival of the convoys of grain. Busy men, however, cannot afford to spend all their time in police work, so gradually the volunteers became an armed rabble of unemployed receiving daily pay.

7. The municipalities suffered the same degradation. At first recruited from and elected by the *bourgeoisie* they ultimately passed into the hands of those demagogues who could talk the most and shout the loudest.³ The work of administration and police, which had hitherto been performed by specialists, was in obedience to philosophic teaching restored to the citizen. Elections of one kind or another were constantly being held. Taine estimates that, at that time, proper performance of national and civic duties involved the sacrifice of two days' work each week.⁴ In addition the respectable voter had to run the gauntlet through a mob of unemployed on his way to the polling booth, and his patriotism not in-

¹ ee, iii., 39, 150 *seq.*

² ee, iv., 104 *seq.*

³ ee, iv., 23-25, 35 *seq.*

⁴ ee, iv., 32.

frequently received the crown of martyrdom. Nevertheless, in the National Assembly of 1789, in the Legislative Assembly of 1791, and in the Convention of 1792, the majority was overwhelmingly composed of moderate members. Out of the 749 members of the Convention there were only fifty members of the mountain, as the party in favour of extreme measures was called.¹ The mob of Paris, however, inspired such fear that it became the real ruler of France.

8. Necker, minister of finance from 1777 to 1781, was recalled to office in August, 1788. During the seven years' interval the commercial treaty had been signed, and Necker's task was to undo the mischief that the treaty had caused. Arthur Young wrote that all statesmen, except Colbert, Necker, and Pitt, had always held the physiocratic view that agriculture was more beneficial to a nation than manufactures.² But Necker was called upon to set in order the finances of a nation abandoned to the theory of free trade. His first task was to secure food for the starving and funds for the Government, and the task was too great for him. He proved the absurdity of the single tax on land, and then allowed himself to be over-ruled by the free-trade assembly.³ In September, 1790, he retired to Switzerland, "lucky to reach it alive," according to Carlyle.⁴

9. Colbert's optimistic opinion of the resources of France was shared by the new finance minister.⁵ As a practical man of business, Necker knew that the extreme distress would vanish with a good harvest, and that the all-important duty of a minister of finance was to tide France over the immediate crisis which threatened her.

¹ *ee*, vi., 143, 144.

⁴ *l*, ii., 83.

² *z*, 588.

⁵ *k*, 198; *z*, 583.

³ *z*, 591, 592.

He has been blamed for giving too favourable an account of the financial difficulty of the French Government, but it is impossible to see how he could have hoped to float loans if he had not written optimistically. His schemes, however, were contemptuously set aside by the Assembly ; this body owed its existence to the deficit, and it had no intention of restoring financial equilibrium until it had made its power secure.¹

10. The taking of the Bastille secured parliamentary government in France, and at the same time gave the mob control over the parliament. Something had to be done at once to relieve distress. In December, 1789, paper money, called *assignats*, was issued. These *assignats* were secured at first on the property of the Church which parliament confiscated. The tax on the net product of land was unproductive. The peasants naturally said that there was no net product to be taxed.² To fill the void, which was created when existing taxation was abolished, *assignats* were issued in a never-ceasing stream. The Government of France lived on *assignats*, and to give them value they ultimately punished with death the use of coin or the refusal of paper money.³ Necker fled from France when he found himself unable to check the issue of paper money. Most wise holders of property either preceded or followed him. Annexing the property of those whom they had driven from France was another financial expedient of the revolutionary party.

11. In addition to the mistakes the French Government made, when in obedience to the teaching of their economists they opened French colonies to British production in 1784⁴ and France herself in 1786, they temporarily made one other terrible blunder. The traditional French

¹ 1, i., 209, 210.

² 2, 624.

³ c, viii., 703.

⁴ 2, 510, 511.

policy was to prohibit the exportation of grain in order to secure the food supply of the people in times of famine. The economists advocated free trade in grain, and, in 1774 Turgot removed the restriction on exportation. The French people did not, however, like being starved in the interest of a theory; Turgot was driven from power; the exportation of corn was restricted, and Necker, after a brief interval, became finance minister. After Necker's resignation in 1781, the teaching of the economists was again followed in 1787; again the scanty harvest of 1788 exposed its folly, and again Necker was called in to save France.¹

12. Necker, like a wise man, prohibited the exportation of corn in 1788, and tried by means of bounties to attract corn from abroad.² For a time Necker was the idol of the people, and the bad harvest of 1789 made it impossible even for the National Assembly to add free exportation of corn to the list of its follies. The British policy, with respect to grain, had, in the main, conformed to the traditional English policy of fostering production. When corn was cheap, a bounty was paid on exports, and, when corn was dear, exportation was prohibited. Thus corn growers were encouraged to grow more corn than the nation required, and, in bad years, the people lived on the surplus, which was sent abroad when the harvest was bountiful. In 1789 Parliament refused to accede to the request made by the French that twenty thousand sacks of flour might be sent to France.³ Great Britain had no wish to risk having a revolution, even to save French free traders from the consequences of folly.

13. If the Eden treaty had been denounced when

¹ c, viii., 25, 88, 89, 94, 102, 115.

² c, viii., 117.

³ s, 1789, (164).

assignats were issued, it is probable that a constitutional monarchy would have been established in France, for the harvest of 1790 was good, and the harvests of 1791 and 1792 were excellent.¹ Using the medium of *assignats*, until they could be replaced by gold, the farmer could have bought French goods with his grain, and the streets of the big towns would have been cleared of their mobs of unemployed workmen.² As it was, the Government bought grain from the farmers with *assignats*; with these *assignats* the farmers bought the land which the Government had stolen from the Church and the aristocrats, until the supply of land was exhausted. Then the crisis came, and the Government was forced to threaten to kill any farmer who should dare to refuse to sell good food for paper money which was fast becoming worthless. To make the ruin of the farmers complete, the Government fixed the price at which the farmers were obliged to sell their produce. These things were done in 1793, when government by and for the unemployed had replaced all pretence at national government.³

14. The food, which the Government bought, was at first distributed to the unemployed in old-fashioned ways. National workshops and relief works kept alive the idea that if a man does not work neither shall he eat. But these antiquated methods were in course of time superseded by fixed payments for attending political meetings in the sections of Paris, by payments to the enrolled members of the National Guard, by salaries paid to innumerable Government officials chosen from the ranks of the unemployed, by day-work on the fortifications of Paris, and so forth. The demoralisation of the French

¹ ee, iv., 112; mm, 42.

² z, 622.

³ c, viii., 703.

workers is shown by the stampede which ensued when piece-work was substituted for day-work on the fortifications. Still at times the unemployed were asked to do hard work for which they received good pay; for example, when the prisons were emptied, in September, 1792, by the slaughter of their inmates, who were guilty of the crime of not belonging to the revolutionary party. To murder 1,368 people in six days was no light task.¹

15. The crude finance, which provided the unemployed with bread, supplied them also with British manufactures. France was an excellent customer until war broke out in 1793. This is proved by the severity of the distress in England, when war stopped trade between the two countries.² Cheap English goods were paid for by wine from Bordeaux, and by the gold obtained from the plunder of the wealthy. There were many rich Frenchmen in 1789 when the Revolution began. Necker had cause to feel confidence in the resources of France. This is clearly shown by the prices at which *assignats* were quoted. When first issued in December, 1789, they sold for 95; fifteen months later they had only dropped to 90. Even when the mob had complete control in November, 1792, they were still worth 70, but after this date their fall was rapid, until, in two years' time, they became nearly worthless.³ Then the French were forced to plunder their European neighbours.

¹ ee, iii., 39; vi., 44, 45, 56, 57, 173, 174, 190, 191, 260.

² s, 1793, (132) *seq.*

³ cc, ii, Tab. 123.

XXII.

NAKED, BUT NOT ASHAMED.

FRANCE.

1. Reasons why the Eden treaty was not denounced.
2. The deputies quoted the French philosophers.
3. The more violent quoted Rousseau.
4. The character of the Legislative Assembly.
5. The unemployed became the real rulers of France.
6. *Assignats* began to lose value and the National Guard was recruited from the unemployed.
7. The free traders hoped to plunder Belgium.
8. The mob of Paris preferred to plunder France.
9. Denunciation of the Eden treaty might have led to war with Great Britain.
10. The weakness of Germany saved France in 1792.
11. When Belgian plunder was not forthcoming, law and order vanished.
12. To make themselves secure, leaders of the mob began the Reign of Terror.
13. The prospect of ruin forced the peasants to rise.
14. The unemployed of Paris showed no mercy to their brethren in Lyons.
15. The leaders of the unemployed finally murdered each other.

I. IN the early stages of the French Revolution, the philosophic Liberals seemed to have been given every opportunity for creating a free government, which should bring peace and prosperity to their country. Despotic government passed away on 14th July, 1789, and Paris,

though mistress of France, was not yet herself fully enslaved by the lowest of her citizens. Unfortunately the politicians failed to realise the change in the economic condition of France produced by the Eden treaty. In their books they were taught that French misery arose from the suffering of the peasantry; they were blind to the distress in the towns. The great circle squarer had assured them that, if agriculture were freed from its burdens, all trouble would vanish. They did their best for agriculture and waited for the millennium. It was perhaps well for them that they were blind, since, when French manufactures were ruined, a tariff on English goods would have temporarily raised prices, and in those dark days he who helped to raise prices signed his own death sentence.

2. In revolutions precedents cannot be quoted, but men love an authority to which they can appeal. Hence the writings of the eighteenth century French philosophers were appealed to, as the *Wealth of Nations* is to-day in England, and perhaps with more reason, since the France of which the philosophers wrote was not separated from revolutionary France by a great gap of a hundred and thirty years. There had been so many philosophers, all anxious to destroy the old order of things, that revolutionary orators found no lack of quotations when they were engaged in the work of destruction. The philosophers had differed widely as to the new order which was to replace the old, so, when politicians quarrelled over the work of reconstruction, they were also able to quote different philosophers or different passages from the same philosopher.

3. Quesnai had advocated a paternal despotism and free trade in grain, but, in spite of these uncomfortable

facts, his disciples had great weight in the National Assembly. When, however, du Pont, having spoken against the *assignats*, was only just rescued by the guard from the mob who wished to drown him, it was clear that the reign of the physiocrat was over.¹ Free trade remained, not because of the economists, but because it made things cheap. Rousseau had written three celebrated books, *Emile*, in which he had taught that freedom was violated when the young were forced to work; *La Nouvelle Héloïse*, in which he dealt with the relations between the sexes so freely that, in his preface, he warned girls that if they read the book they were already lost; and *Le Contrat Social*, in which he described an ideal State founded on liberty, equality, and fraternity, and endowed with a political religion. Rousseau advocated the banishment of any citizen who refused to accept this religion, and the execution of any citizen who, having accepted its dogmas, acted as if he did not believe them. The reason for the death sentence was that the citizen had "committed the greatest of crimes, perjury". These maniacal ravings became the philosophic creed of the Parisian unemployed.²

4. The Legislative Assembly, which succeeded the National Assembly on 1st October, 1791, was like its predecessor, with all the worst features much exaggerated. The spread of anarchy had driven property holders in thousands from France. The king had attempted to leave with them; but unfortunately he had been arrested at Varennes and was practically a prisoner in the Tuileries. Robespierre's motion that members of the National Assembly should be incapable of sitting in the

¹ ee, iii., 202, 203.

² ee, iv., 49 *seq.*; v., 125; ii, ii., 175-179; ddd, bk. iv., ch. 8.

Legislative Assembly had been carried. The new parliament was therefore composed of men without political experience. It was in fact a body of political adventurers; since men, with property to lose, were unwilling to risk it, and probably their lives as well, by taking part in politics. In spite of these facts and in spite of intimidation at the polling booths, the majority in the new parliament consisted of moderate men who wished to support the constitutional monarchy.¹

5. Peasant farmers, who had bought land with *assignats* and were looking forward to making money out of the excellent harvest of 1791, voted for moderate candidates, whilst the manufacturing towns, which were still suffering from the effects of disorder and the Eden treaty, returned violent radicals. Taking their names from the Parisian clubs at which they met, the moderates were called *Feuillants* and the more violent *Jacobins*. In the Legislative Assembly there were 136 *Jacobins* and 264 *Feuillants*; most members, however, thought it better not to profess fixed political principles. Probably the moderate majority included more than two-thirds of the Assembly, but the Parisian mob prevented the members from either speaking or voting freely.² The real power in France was not the National Parliament but the Commune of Paris, and after November, 1791, when the Jacobin, Pétion, became mayor instead of Bailly, Paris was governed by the unemployed.

6. Shortly before Pétion was elected, Lafayette resigned the command of the National Guard. This body was not yet purged of its middle-class element; but, meanwhile, its power was weakened by changing its commandant every month.³ The hungry mob was thus practically

¹ c, viii., 211 *seq.*

² c, viii., 212.

³ c, viii., 233; I, ii., 170.

uncontrolled. In 1792, when the confiscated Church lands were sold, *assignats* fell to little more than half their face value.¹ With the fall in *assignats* trouble increased. Under Quesnai's scheme France ought to have exported corn and raw materials until her manufactures became strong enough to crush English competition. But this millennium was in a very distant future, and the unemployed had no wish to starve, so corn was kept in France and *assignats* were given to the unemployed in order to buy the corn. If the *assignat* lost its value, the townsfolk starved.

7. Such property as the people of substance who emigrated had not been able to carry with them, was annexed in the early part of 1792, but it was clear that the relief afforded was only temporary. Two policies were at this time developed by the Jacobins. Belgium belonged to Austria, whose military power the French despised. War with Austria would, it was hoped, fill the French treasury with plunder from Belgium. In the Jacobin Club this policy found favour with the Girondist section, deputies who came from Bordeaux and the south-west, where men lived who gained by the treaty which enabled them to sell their wines in England and buy cheap English goods in return. But the leaders of the Paris Commune realised that when war broke out their supporters would find work in fighting in Belgium, and they feared the prospect of a possible return of the reign of law and order.²

8. The alternative policy of punishing with death any one who refused *assignats* or used gold and of fixing a maximum price for bread,³ might for a time save the

¹ cc, ii, Tab. 123.

² c, viii., 220; l, iii., 211.

³ c, viii., 703.

mob of Paris and their leaders, but was certain to ruin the small farmer in the Gironde. No wonder that a cleavage arose between the Girondists and those Jacobins who represented the Parisian unemployed. Meanwhile such common sense and nerve as the Legislative Assembly possessed was destroyed by the terrorism of the mob. The most fantastic scenes were enacted. When one member quoted Rousseau's maniacal view that death was a fit punishment for "one who, having publicly recognised the dogmas of civil religion, acts as if he did not believe in them," another fanatic put the proposition in the form of a motion and demanded a vote on it.¹ The definition of the crime is so worded as to include all members of the Opposition in any national parliament. It was the French eighteenth century equivalent for the modern liberal doctrine that "minorities must suffer". They were soon destined to suffer death in France.

9. Those who quoted Rousseau could have found, in his economical article in the *Encyclopédie* ample justification for denouncing the Eden treaty, but they were probably deterred by two reasons. For a time it would have made manufactures dearer, and it might have involved France in a war with Great Britain. This was much more serious than war with Austria. One of the worst features of the system of giving advantages to foreigners is that it makes men brood over the consequences of what may happen if these advantages are withdrawn. Men brood in silence, since it is not pleasant to admit that the fatherland has lost its independence. In March, 1792, a Girondist Ministry took office, and war with Austria was declared on 20th April, 1792.

¹ *ee*, v., 125.

10. Whatever their value may be in peace, Liberty, Equality, and Fraternity are not good allies in war; and had Germany not been weak from internal disunion, within a few weeks order would have been restored in Paris by foreign soldiers. As it was, nothing happened for many months after the declaration of war, except that Prussia joined Austria, and their joint attempt to invade France was defeated by the skirmish of Valmy on 20th September, 1792. The advance of 34,000 Prussians was checked by a loss of 184 killed and wounded.¹ These months of inaction afforded a golden opportunity for the Communists of Paris.

11. On 12th June, 1792, when it appeared as if the Girondist scheme of plundering Belgium was likely to end in an invasion of France, their Ministry was dismissed by the king, and in their anger the Girondists united with the Communists.² It was no very difficult matter to purge the National Guard in Paris of its respectable members when the middle classes and the honest unemployed were marching to the frontier to save France. On 25th July the Jacobins illegally seized complete control in Paris; on 10th August they stormed the Tuileries and massacred the Swiss Guards. The king was made an actual prisoner, and the Assembly was forced to abdicate in favour of a National Convention. Then Paris, and through Paris France, was in the hands of 6,000 Parisian criminals.³

12. To ensure success it was necessary for this band of murderers and thieves to strike terror into the heart, not only of every well-to-do Frenchman, but of every respectable French working-man. Before the elections

¹ c, viii., 410.

² c, viii., 227, 228.

³ ee, vi., 168 *seq.*

to the Convention took place, the prisons of Paris were cleaned. In other words, for six days and five nights the Jacobins murdered freely. Amongst the 1,368 victims there were men, women and children of all classes and all ages; in particular there were "forty-three youths of the lowest class, of from twelve to seventeen years of age, who had been placed in a house of correction by their parents or masters".¹ It was a foretaste of what the working-men were to suffer at the hands of the Paris mob. Only 10 per cent. of the electors dared to vote in the elections for the Convention. Nevertheless, "at the opening of the session, out of 749 deputies in the Convention, only about fifty are found to approve of the Commune, nearly all of them elected, as at Rheims and Paris, where terror has the elector by the throat, under the clubs, axes, daggers, and bludgeons of the butchers".² This mattered little, since the Paris mob governed the Convention even more completely than it had governed the previous assemblies.

13. The murder and plunder of the rich continued, but this source of revenue was becoming exhausted, and decrees were passed to compel the peasants to sell their wheat for a fixed price payable in depreciated *assignats*.³ Then, when the peasants learned that the motto of the Jacobin Republic, "Liberty, Equality, and Fraternity, or Death,"⁴ would probably mean Death in their case, they took arms. The peasants' insurrection was crushed with barbarous cruelty which would have disgraced any despotism in Europe. Nor was this selfishness and cruelty shown only against the peasants.

14. Lyons, the centre of the French silk industry, had

¹ ee, vi., 56, 57.

² ee, vi., 137, 138, 143, 144.

³ c, viii., 703.

⁴ cc, ii, Tab. 106.

been a loyal supporter of the Revolution. When the well-to-do were being exterminated, the demand for silk goods ceased, and the unemployed of Lyons appealed to their brethren in Paris for *assignats* to buy food. But the Jacobins of Paris had no intention of sharing their unearned food with any other French workers. They replied to the workmen of Lyons by demanding more than a quarter of a million pounds for the revolutionary cause. This preposterous demand made the starving city rise in rebellion, which was suppressed with rather more than usual ferocity.¹ The Paris mob, however, gained little by their crimes. Their leaders lived comfortably enough until the time came for them to face the guillotine; but the rank and file had to wait for five or six hours each day in line by the bakers' shops, only to get an insufficient amount after their patient waiting.²

15. Rousseau's infamous doctrine was now treated as if it had been an inspiration, and the guillotine was ceaselessly at work in Paris and throughout France. In January, 1793, the king was one of the victims; he was followed by the queen in October of the same year. Then, in a few days' time, the Girondist free-trade party were exterminated, and the Communists, left without rivals, proceeded to murder each other. Twenty leaders of the Commune of Paris were executed on 24th March, 1794; less than a fortnight later, Robespierre sent his old friends, Danton, Desmoulins, and others, to the scaffold. Now for a short while Robespierre reigned without a rival, and during the last seven weeks of his infamous career there were 1,366 executions in Paris alone.³ At last the less criminal members of the Convention took

¹ c, viii., 339, 340, 345, 346, 351.

² l, iii., 68, 100, 256.

³ c, viii., 372.

action. On 28th July, 1794, Robespierre and twenty-one of the leading criminals were beheaded, and in a short time the whole gang was extirpated. What their chosen leaders had done for the working class in France was expressed by the woman who sprang on the cart which was conveying Robespierre's shattered body to the guillotine, and shouted: "Thy death gladdens my very heart". Then as Robespierre opened his eyes, she added: "Scoundrel, go down to Hell, with the curses of all wives and mothers".¹

¹1, iii., 242.

XXIII.

THE END OF EDEN'S TREATY.

FRANCE.

1. Free traders assert that imports are always paid for by exports.
2. Protectionists deny this axiom.
3. The axiom can be tested by the French Revolution.
4. The Revolution began with an influx of British goods and ended after their prohibition.
5. During the Revolution, British wealth increased and wealth left France.
6. Pitt achieved more by his treaty than he could have done by war.
7. When France became too poor to buy, the Anglo-French war began.
8. After 1793 free trade was discredited in France.
9. France plundered Europe, but was too poor to build a navy.
10. After 1793 France was united by the longing for plunder.
11. In spite of Irish disloyalty, Great Britain was saved by her navy.
12. The American schism weakened the British race.
13. Communistic principles vanished in the smoke of battle.
14. Great Britain's navy saved her when France, Spain, and Holland were allied.
15. In 1797 France was supreme on land and Great Britain on the sea.

I. IN order to induce working men to vote for free importation, free-trade candidates assert that imports are always paid for by exports. If this assumption is not made, it is obvious that the importation of manufactured goods tends to lessen the demand for, and thus diminish

the value of, British labour; it is also evident that free importation may seriously injure national production. The assumption is so essential for the free-trade argument that it has been preached as an axiomatic truth, which only an intellectual heretic can doubt. Professors have dogmatically stated that it is, and always has been, an axiomatic truth, and that the word imports includes not only complementary raw materials but rival finished products.

2. On the other hand, imperialist tariff-reformers maintain that the truth applies only to the very limited number of articles which cannot be produced within the Empire. They are ready to admit that, owing to a mistaken policy, British industry must depend to some extent on foreign trade at present, but they are eager to free it as soon as possible from dependence on the foreigner. They contend that, when two nations are united by free trade, the one which has superior economic advantages grows richer, whilst the other decays. They also assert that, if a superior nation adopts one-sided free importation, no injurious effects will be noticed until her rivals have become her superiors, but that then ruin will follow swiftly.

3. No one doubts that Great Britain was, in the middle of the nineteenth century, immensely superior to other nations in manufactures, and all agree that, whilst this relative superiority, which now depends largely on cheap coal, has seriously diminished, it has not entirely disappeared. It is therefore natural that both free traders and protectionists should find arguments to support their contradictory views in the present condition of Great Britain. The records of the past can alone absolutely determine whether the theory of free trade is right or wrong, and for this reason the histories of Great Britain

and France between 1786 and 1793 are of the greatest importance.

4. Lord Rosebery has written that, shortly before the Eden treaty was signed, "it was universally admitted that Great Britain had sunk to be a second, if not a third, rate Power";¹ on the other hand, the prestige of France was greater than it had been for many years. England had the economic advantage of cheap coal, and steam was about to supersede all other forms of motive power. The manufacturing power of Great Britain had been increased by the work of many inventors. The Eden treaty was practically a free-trade treaty, since the duties levied were too small to protect French industry.² After the treaty was signed in 1786 there was a great influx of English goods into France, followed by want of employment and terrible distress. A revolution broke out in the cities, that is amongst the artisan population. On 9th October, 1793, an embargo was placed on British goods,³ and the foundations, on which the criminals who had seized France were attempting to build, crumbled beneath them. The terror was caused by the alarm these criminals felt at the prospect which awaited them, when fast approaching law and order were restored. In their panic they struck alike at friend and foe, but in less than ten months after the embargo the reign of crime was over. Then France, by commencing the conquest of Europe, displayed to the world the greatness of her strength, which free importation had done its best to destroy.

5. Of Great Britain, during those years when France suffered so terribly, Lord Rosebery has written that there was, as early as 1787, of affluence and prosperity "a

¹ aa, 59.

² c, viii., 284, 285.

³ c, ix., 363.

growth so rapid as to make her in a few years capable of grappling with any force that France could raise".¹ The wealth of France crossed the Channel with such rapidity that in 1796, when Pitt was getting into trouble for sending "on his own responsibility a subsidy of £1,200,000 to Austria,"² the French treasury could only find 2,000 louis in coin to give Napoleon for a war chest when he took command of the army of Italy. A French writer on the financial history of France said of this: "It was an enormous sum. For a long time past nobody had known what it was to have coin."³ The extent of the gain which Great Britain derived from the treaty which was so disastrous to France may be measured by the distress in England when the lucrative trade with France ceased.⁴

6. Carlyle has described how in 1792 "lean Pitt, the Minister of Preparatives, looks out from his watch tower in St. James's in a suspicious manner".⁵ Pitt, as he looked, saw the effect of his treaty and was well content. In spite of the injury France had inflicted on the Anglo-Saxon race by separating the United States from the Mother Country, Pitt was above all things anxious for peace with France, and he took care that all men should know his views. There was no need for war whilst the treaty was doing its work; as long as there was gold in France, the treaty was weakening France in the most effective manner. But when *assignats* fell to fifty-three in the spring of 1792,⁶ business men must have begun to feel anxious. The day before France declared war against Austria, Chauvelin, the French ambassador in London, was instructed by the free-trade Girondist Government "to secure, not only the neutrality of England, but if possible

¹ aa, 101.² aa, 132.³ c, viii., 703.⁴ s, 1793, (132) seq.⁵ l, ii. 194.⁶ cc, ii, Tab. 123.

her friendship and alliance". The continuance of the Eden treaty was offered as a bribe, and if Great Britain had only lent France three or four million pounds she might have had the French island of Tobago.¹ Pitt must have thought of many things whilst these negotiations were proceeding, such, for example, as whether free trade would pay when all the French gold was in English pockets. That request for a loan was not wise.

7. At all events nothing came of the negotiations, and, when on 10th August, 1792, mob rule was established in France, the British ambassador was recalled from Paris, but in a delicate manner so as not to wound French feelings. Chauvelin, however, remained in London. The conquests of the French, in the autumn of 1792, raised the value of *assignats* to seventy,² but, when the British ambassador failed to return to Paris and Great Britain refused to recognise the French Republic, it must have been evident that war might follow. In November, 1792, the French seized Brussels and there was panic in London.³ Before the end of the year an aliens bill, directed avowedly against the French, was passed, the exportation to France of corn or munitions of war was prohibited, and dealings in *assignats* were forbidden.⁴ The day of the Eden treaty was over. On 1st February, 1793, the Convention declared war against Holland and England. On 25th April, 1793, a committee of the House of Commons was appointed to consider the condition of British industry. This committee reported on 29th April that the industry of the country was threatened with ruin, owing to enormous stocks of goods for which there was no market, and Parliament voted a

¹ c, viii., 296, 297.

² cc, ii, Tab. 123.

³ c, viii., 297-299; aa, 118.

⁴ s, 1793, (36)-(44).

loan of £5,000,000 to enable British manufacturers and merchants to tide over the crisis.¹ This shows the value of the French market which war had closed to Great Britain.

8. The Eden treaty contained an extraordinary clause which safeguarded trade even in the event of war between Great Britain and France.² This clause illustrates the extravagant idealism which has characterised free trade from its birth. The economic men, imagined by the French free traders, had no counterparts in flesh and blood. So far from trade continuing after war was declared, the war was caused by Acts passed by the British Parliament to check Anglo-French trade when, owing to the depreciation of *assignats*, that trade had become too speculative. Not only was direct trade between Great Britain and France stopped by the war, but, in October, 1793, the sale of British goods was forbidden in France even when these goods had been introduced by a neutral middleman.³

9. The twenty-two years' war between Great Britain and France showed clearly what Britain had gained and France had lost by the Eden treaty. Impelled by hunger, the French poured into the surrounding countries. That France was bankrupt was evident when *assignats* became valueless, but this was only an additional incentive to the soldiers of France. The plunder of others was the only means of repairing the ruin which free trade had caused, and wars brought wealth to France.⁴ Conscription can give a nation a powerful army, even when gold has disappeared, and, once in an enemy's country, an army can live at the expense of the enemy. A navy, on the con-

¹ s, 1793, (132) *seq.*

² s, 1786, (172), (267).

³ c, ix., 363.

⁴ c, viii., 707.

trary, is an expensive creation, and, when fighting on the sea, each combatant must furnish its fleet with supplies for the campaign.

10. The counter-revolution, provoked by the exactions of Paris, enabled Lord Hood, in August, 1793, to occupy Toulon, and thus deprive the French of an important naval arsenal and more than one-third of their navy. The military strength of Great Britain was unhappily wasted in a disastrous campaign in Flanders, and, when after a four months' occupation, Lord Hood was compelled to retire, an opportunity of ending the war by encouraging disunion in France was missed.¹ The French counter-revolution was suppressed, and, after the execution of Robespierre, France presented the spectacle of a great nation united by a fierce longing for plunder. With a whiff of grapeshot Napoleon could easily destroy any future attempt to divide the nation.

11. Thus, curiously enough, economic mistakes produced union in France, whilst unfortunately similar errors caused disunion in the British Isles. A perverse economy had made Great Britain rich and Ireland poor, hence the disparity between the populations of the British Islands and France was much increased by the antagonism between Great Britain and Ireland. The Anglo-Saxon race was also greatly weakened by the separation of the United States from the Mother Country. Thus, when in 1796 France had gained control over the armies and navies of Spain and Holland, it seemed as if Great Britain had but the most slender chance of ultimate success. To counterbalance the many advantages France possessed, England had but one. Under the Eden treaty her pro-

¹ ff, i., 91-95, 105.

duction had enormously increased, and this enabled her to maintain a navy superior to that of France. Trafalgar and Waterloo were won in the weaving sheds of Britain.

12. The loss to the strength of the Anglo-Saxon race, caused by disunion, was illustrated by the fleet of 130 vessels laden with grain which sailed from the United States in 1794. This food supply was absolutely necessary to the terrible Government which Robespierre directed, and, although the French navy was ill-prepared for war, it put to sea in order to place itself between the convoy and the British fleet. The French fleet was defeated on the 1st of June, but it accomplished the object with which it put to sea. The convoy reached France safely, and the French were enabled to continue to plunder their weaker neighbours.¹ In February, 1795, Belgium and Holland were virtually French provinces, and the Germans were driven beyond the Rhine.

13. After the fall of Robespierre, law and order began to reign in France. Liberty, Equality, and Fraternity were clearly impossible if France was to continue her career of conquest. In November, 1795, France placed herself under the rule of five directors, and this form of government lasted for four years. The directors reflected the nation they ruled; both lived by theft. No more corrupt government has ever disgraced any nation; yet, under the Directory, France became so powerful that Britain's peril for a time was great. What would have happened to the young Anglo-Saxon nation across the Atlantic, had the Mother Country been unequal to the strain, is shown by the treatment accorded to the American commissioners in 1797, when the French were intoxicated with success.²

¹ c, viii., 466 *seq.*; ff, i., 122, 123.

² c, viii., 493, 494, 498, 499; aa, 133 *seq.*; ff, ii., 258, 259.

Union, whether formal or informal, between the six Anglo-Saxon nations has not become less important since 1797.

14. The Family Compact of 1761 had bound Spain and France in alliance against Great Britain. This alliance was dissolved by the French Revolution, and Spanish ships were with the English in Toulon. In 1795 Spain made peace with France, and in August, 1796, Spain became the ally of France in her war with England as Holland had done in 1795.¹ Great Britain was now confronted with the hostility of three great naval Powers, France, Spain, and Holland; in addition to this, there were insurrections in Ireland, in concert with French expeditions, and mutinies in the fleets. The strain on Great Britain was terrible, but her production enabled her to maintain a navy that saved her from her many dangers.

15. At the beginning of March, 1796, Bonaparte left Paris to command the army of Italy. In due course Italy was plundered and made dependent on France. The peace of Campo Formio, signed on 17th October, 1797, left Great Britain without a strong European ally, but on 14th February, 1797, Jervis had defeated the Spanish fleet at St. Vincent, and on 11th October, 1797, Duncan had practically annihilated the Dutch navy at Camperdown. France was supreme on land, and Great Britain on the sea. On Bonaparte's return from Italy, at the close of 1797, an invasion of England was planned, but the navy of Britain was between her shores and the French invaders.² The directors, advised by Bonaparte, were well aware that England's navy depended on her production. On 4th January, 1798, under a law passed fourteen months earlier but hitherto not strictly enforced, all British goods

¹ ff, i., 172, 213, 214.

² ff, i., 208, 229, 250, 251, 378.

were seized in France. The Directory in their message to the Council of Five Hundred, stated that "such is the first act, by which, now that peace is given to the Continent, the war declared long since against England is about to assume the real character that belongs to it".¹

¹ ff, ii., 249.

XXIV.

THE BROTHERHOOD OF NAPOLEON.

FRANCE.

1. Bonaparte's four policies for France.
2. Bonaparte first attacked the source of British raw materials.
3. Bonaparte persevered in spite of the battle of the Nile.
4. Acre was fatal to Bonaparte's scheme.
5. Bonaparte's *coup d'état*.
6. Bonaparte's opinion of free-trade theorists.
7. Bonaparte protected French production.
8. Pitt was not deceived when Bonaparte asked for peace.
9. Peace in 1802 enabled Bonaparte to equip a fleet.
10. War recommenced in 1804, and Pitt became again Prime Minister.
11. Trafalgar was won by Pitt, Barham, and Nelson.
12. Vanquished on the sea, Napoleon was supreme in Europe.
13. Pitt died, and Napoleon sowed discord between Great Britain and Prussia.
14. After Jena Napoleon closed Britain's European markets.
15. Alienated by the Whig policy, Russia became Napoleon's ally.
16. A change of Ministry enabled Canning to checkmate Napoleon.

1. IN November, 1797, Bonaparte returned from Italy with the laurels of a conqueror. Already he had made it clear that he was not "winning fame in Italy for the glorification of the attorneys of the Directory".¹ The plunder he sent home from his conquests was, however,

¹ c, viii., 499.

the very foundation of the directors' power, and Bonaparte was appointed to command the expedition against England. Bonaparte told the directors that there were four courses open to them—to invade England, to seize the North German coast, to conquer the Levant, or to make peace.¹ To the directors the first three schemes doubtless seemed to be three methods of acquiring plunder, but Bonaparte was too great a genius to be a mere thief. He knew that laurels are apt to fade when the people grow hungry, and he also knew that plunder was a precarious source of revenue. He proposed to recreate the prosperity of his adopted country, and thus undo the work of the Eden treaty.

2. If England was invaded and conquered, her industry could be destroyed or worked for the benefit of the French. If this direct method of attack was impossible either the market which the old Hanseatic merchants still kept open for English products should be seized—this was afterwards the central idea of Napoleon's continental system—or the Levant, whence came much raw material, such as cotton, should be made a French province. Bonaparte soon decided that St. Vincent and Camperdown had made the invasion of England impossible for the moment, and turned his attention to the East. He hoped not only to gain the Nearer East but to drive the British from India, and to place the French in a position even superior to that they enjoyed before the treaty of Paris. In the secret decrees which Bonaparte drew up and the directors signed he was ordered to anticipate history by making the Suez Canal.²

3. Masking his real design by a feigned attack on

¹ c, ix., 363.

² c, viii., 597.

England, Bonaparte sailed for Egypt on 19th May, 1798. The British navy had been concentrated in home waters to protect the British Islands, but shortly before the French fleet sailed from Toulon, Nelson had been sent with three ships of the line to show that Great Britain had not permanently abandoned the Mediterranean. This squadron naturally could not prevent the French expedition, but it was strongly reinforced, followed Bonaparte to Egypt, and regained control of the Mediterranean by destroying the French fleet at the battle of the Nile on 1st August. The object Bonaparte had in view was, however, so important that he pursued it unmoved by this disaster.¹

4. Bonaparte investigated the ancient canal which had been cut between the Nile and the Red Sea, but deferred work on the Suez Canal until he had secured Syria and re-established communication with France either overland by Constantinople or by the sea. Bonaparte intuitively felt that Eastern races would bow down before a conqueror whom they believed to be all-powerful, and Sir Sidney Smith's defence of Acre was a fatal blow to his prestige. In Bonaparte's own words, he missed his destiny when he retired defeated from Acre in May, 1799.²

5. The directors were probably not altogether sorry that Bonaparte was detained in Egypt. They took small pains to communicate with him, and made no attempt to relieve him, unless the despatch of the Brest fleet into the Mediterranean, whilst Bonaparte was besieging Acre, was meant to aid him. In any case no help reached Bonaparte, and, on his return to Egypt, he left his army and returned to Paris to settle his account with the men who had so feebly

¹ ff, i., 251 *seq.*

² c, viii., 607 *seq.*, 618; ix., 764, 765.

supported him. He landed on 9th October, 1799; in a month's time the Directory was no more, and Bonaparte, as first consul, was the supreme ruler of France.¹

6. Having grasped the reins of power, Bonaparte acted with such firmness that when in 1804 he was proclaimed emperor the change was purely nominal. First Consul Bonaparte became the Emperor Napoleon, but from 1800 he was master of France; untrammelled by aristocrats or bureaucrats, he wielded more despotic authority than France's former kings. He encouraged science and every form of industry, but waged war against French theorists. When liberals, who desired the rudiments of freedom, were described by Napoleon as "a band of imbeciles who sigh from the bottom of their souls for liberty of the press and of speech, and believe in the omnipotence of public opinion," there was no course left for the circle squarers but to keep silence.²

7. The vice of Napoleon's rule was this trampling on freedom, yet he succeeded, and France became prosperous, but through his virtues not through his vices. Napoleon regulated, fostered, and protected every branch of French industry, and this was the secret of his popularity and success. The advantages France derived from protection were marred by its being used as a weapon of war against Great Britain, but even the defects thus introduced could not neutralise its beneficial effects. Napoleon's career might have been a gigantic success had he not possessed that vaulting ambition which o'erleaps itself. As he approached St. Helena, he read aloud a fairy tale which told the story of a man whose wishes were to be granted until he made an unreasonable one. The man got all that

¹ ff, i., 316-318, 324.

² c, ix., 124, 125, 132, 133.

his heart could desire ; then he made the fatal request and lost all. "Me voilà," said Napoleon, "et me voici à St. Hélène."¹ Until the peace of Amiens in 1802 he worked for France ; after his assumption of the title of emperor, France was forgotten by Napoleon in his desire to become a modern Charlemagne.

8. The *coup d'état*, which made Bonaparte the ruler of France, was followed by a letter from the first consul to the King of England, proposing negotiations for peace. Malta and Egypt were still occupied by the French, and therefore any peace which Bonaparte would have accepted at that time must have been even worse than the peace of Amiens in 1802. Fortunately England's prime minister was the statesman who was justly described by his friend and disciple Canning, as "the pilot who weathered the storm". Pitt had reason, from past experience in similar negotiations, to know the sort of peace Bonaparte desired.² The proposal was rejected ; in 1800 Malta was surrendered to the English, and in 1801 the French were carried in British transports from Egypt to France. The naval power of Britain enabled her to acquire from her enemies the Cape and other colonies, but in Europe Bonaparte continued to increase his power and influence.³

9. In 1800 the union of Great Britain and Ireland was accomplished, and during the following year Pitt resigned, because he was unable to persuade the king to bind the nations still closer by granting civil liberty to the Roman Catholics.⁴ In March, 1802, Pitt's successor, Addington, negotiated the peace of Amiens, by which all Britain's conquests, except Ceylon and Trinidad, were surrendered, whilst France gave nothing in return. In 1801 the ruler

¹ dd, 192, 193.

² c, viii., 498, 499, 559, 560.

³ ff, i., 329-334 ; ii., 16, 17.

⁴ aa, 198, 199.

of the greatest military Power in Europe was engaged in building a flotilla for the purpose of invading England. To this ruler it was clearly of great importance to have access to colonial markets, whence naval materials and stores could be obtained. By the peace of Amiens Great Britain opened these colonial markets to Bonaparte, whilst he kept the European markets which he controlled closed to the British.¹ Naturally the fleet which was being built to invade Great Britain made wonderful progress. That Pitt should have given his support to the peace of Amiens can perhaps be explained by his loss of mental power owing to increasing ill-health. But if Pitt was partly responsible for the peace, he soon recognised its dangers.²

10. The peace was so popular in England that the French ambassador made a triumphal entry into London, much to Nelson's disgust.³ But the joy ceased when the British learned that Bonaparte did not intend to open the French markets. In May, 1803, war was declared between Great Britain and France. In April, 1804, Pitt, the weather-beaten pilot, once more took the helm. The peace of Amiens seems incomprehensible when it is remembered that, shortly before it was signed, one of Bonaparte's most dangerous combinations against Great Britain, the League of the Northern Powers, had been dissolved by the destruction of the Danish fleet at Copenhagen and the assassination of the mad Russian emperor. Peace was the one thing Bonaparte needed in order that he might mature new schemes against the welfare of Great Britain.⁴

11. As might have been expected, Bonaparte utilised the short break in hostilities to prepare secretly for the inevitable recurrence of war, whilst the British Ministry

¹ c, ix., 75, 76, 80.

² aa, 140, 232, 234 *seq.*

³ gg, ii., 144, 145.

⁴ c, ix., 50, 80.

thought the time a fit one for practising petty economies in the navy. Thus, when war was declared in May, 1803, the number of the French flotilla was supposed to be 310 fighting craft, in July the number rose to 1,410, and in August to 2,008; whilst Nelson's ships in the Mediterranean were "shamefully equipped and destitute of the most necessary stores".¹ Pitt, with quixotic chivalry, had absolutely declined to do anything to embarrass Addington, but pressure of public opinion restored Pitt to office and, after a short interval, placed Lord Barham at the head of the Admiralty. Under Pitt and Barham, Nelson fought the battle of Trafalgar on 21st October, 1805, which gave Great Britain that command of the sea which she has ever since retained.

12. The direct attack on English production was defeated at Trafalgar, as one of the indirect attacks had been defeated at the battle of the Nile; there remained, however, the other indirect attack, the closing of the markets of Europe. Bonaparte had occupied Hanover in 1803, and extended the influence of France over the north coast of Europe as far as Hamburg and Bremen. Pitt did not view with unconcern the attempts at excluding British goods from the markets of Europe, and, when he returned to office, Great Britain joined Austria and Russia in a coalition to curb the power of the ruler of France who had become the Emperor Napoleon. Prussia let "I dare not wait upon I would," but in the end she shared the fate of her more courageous neighbours.²

13. When Napoleon realised that his direct attack on Great Britain had failed at Trafalgar, he instantly turned his whole attention to his scheme of closing Europe to

¹ c, ix., 80, 213; ff, ii., 107, 122-124, 129.

² ff, i., 253; ii., 108-110, 177 *seq.*

British goods. Six weeks after the battle of Trafalgar, the allied armies of Austria and Russia were crushed at Austerlitz, and Prussia hastened to seek safety in an offensive and defensive alliance with Napoleon. To cause discord between Great Britain and Prussia, Napoleon gave his new ally Hanover, which belonged to King George of England, in return for Prussian territory. The news of Austerlitz killed Pitt, and the Ministry of All the Talents was formed in January, 1806. The leaders in this new Government were Grenville, a renegade Tory, and Fox, the great opponent of Pitt. Captain Mahan with justice calls Fox the "friend of Napoleon".¹

14. Fox had persistently preached that Napoleon's heart could be softened if British ministers would attack the problem in the right way, and he earnestly sought to make peace. Eight months after Pitt's death Fox died, but even in that short time he had begun to despair of doing that which, when he was in Opposition, he had thought so simple.² Whilst the negotiations for peace were in progress, the Ministry were guilty of the supreme folly of declaring war upon Napoleon's trembling catspaw, Prussia, because of her occupation of Hanover. Canning, the friend and disciple of the dead pilot, in vain denounced this folly.³ Napoleon's contemptuous treatment of Prussia, however, saved the situation, and the Anglo-Prussian war was ended when France attacked Prussia in October, 1806. The battle of Jena made Prussia practically a vassal of the French Empire, and from Berlin Napoleon issued the famous decrees which closed the markets of Europe to British products.⁴

15. Russia was now the only continental Power capable

¹ c, ix., 260 *seq.* ; ff, ii., 270, 405.

² c, ix., 271.

³ dd, 114-116.

⁴ c, ix., 276-283.

of fighting Napoleon, and on 25th November, 1806, four days after the Berlin decrees were issued, Napoleon left Berlin to crush the only nation that could actively oppose his Continental System. The indecisive battle of Eylau in February, 1807, proved the difficulty of the task France had undertaken when she attempted by force of arms to bring Russia within her influence; but the Whig Ministry, blind to the danger that threatened British industry, assisted Napoleon to carry out his design. They not only refused to help Russia by sending men or money, but they refused to guarantee a Russian loan, adding to their refusal the insulting reason that they were not sure that Russia would keep faith as to payments. The Whigs were dismissed in March, 1807, and the Tories took office with the Duke of Portland as prime minister, and Canning as foreign secretary. At once the foreign policy was reversed, but it was too late to save Russia from defeat at Friedland. Disgusted with English folly, the Russian emperor and the Prussian king made the treaties of Tilsit with Napoleon in July, 1807, and Great Britain's isolation appeared to be complete.¹

16. Fortunately for Great Britain there were no more Whig Ministries until the great struggle was over; and, whether in or out of office, Canning was able to inspire his fellow-countrymen with his optimistic faith, and make even the faint-hearted believe in ultimate success. His judgment condemned the Walcheren expedition, which ended so dismally, and equally strongly approved of the most vigorous prosecution of the war in Spain, which began in 1808. For these beliefs he resigned office in 1809, and the foreign affairs of Great Britain were not

¹ c, ix., 284-293.

again under his control until 1822. Before he resigned office, he had in 1807 rendered immense service to his country by removing the Danish fleet from Copenhagen to London, and the Portuguese fleet from Lisbon to Brazil.¹ These masterly strokes destroyed Napoleon's last chance of a direct attack on Great Britain, and forced the emperor to devote his energy to the Continental System, which aimed at excluding British production from the markets of Europe. No economic theories blinded Great Britain to the dangerous character of Napoleon's commercial attack ; her courage and determination forced Napoleon to Moscow and Elba, and, after Waterloo, to St. Helena.

¹ c, ix., 299-305.

XXV.

NEITHER IMPORTS NOR EXPORTS.

EUROPE.

1. Britain's commercial empire contrasted with Napoleon's.
2. Berlin Decrees and Orders in Council.
3. Under Napoleon subject nations made sacrifices for France.
4. Nevertheless Napoleon's system was less harmful to Europe than free trade.
5. Reaction against Napoleon's tyranny spread free-trade theories in Europe.
6. France derived great benefit from Napoleon's system.
7. Europe at first listened to British economists.
8. The British ideal was Britain the workshop or centre of the world.
9. Experience compelled Europe to adopt protection.
10. The new Continental System is more dangerous to Great Britain than Napoleon's.
11. No Orders in Council to counteract the new Berlin decrees.
12. Mr. Bryce's description of the resurrection of Germany.
13. Mr. Bryce scarcely mentions the Zollverein.
14. List's prophecy of Germany's future.
15. Part has been accomplished.
16. List's improved Continental System.
17. List's unfulfilled prophecies.

I. THE brotherhood which the British sought to establish in the nineteenth century was a far more subtle conception than any of the preceding brotherhoods. To understand it thoroughly, it is necessary to be familiar with the

Napoleonic brotherhood and the effects this brotherhood produced upon the nations of Europe. The Napoleonic brotherhood was the outcome of the reaction against the teaching of an economic philosopher ; the British brotherhood was based upon the teaching of a British economist. It is therefore also necessary to understand something of Adam Smith's writings before considering the great attempt British statesmen made to establish the supremacy of their race.

2. Napoleon's Berlin and Milan decrees closed Europe to British products and commerce ; the British Orders in Council replied to these decrees by announcing that Great Britain would use her sea power to prevent any other products from entering ports from which British products were excluded. In this way Europe was deprived not only of the British manufactures, which the Continent had been accustomed to buy, but of colonial products, such as cotton, except those introduced by smugglers or brought overland from the East. These measures were so drastic and they were introduced so suddenly that they caused intense suffering, in spite of wholesale smuggling and the trade licences Napoleon was forced to issue to mitigate the severity of his own decrees.¹

3. It takes a long while to build the factories and train the workmen who are needed in order to supply a civilised nation with the necessities of life. In the case of a nation which owing to free importation has become dependent on the foreigner for these necessities, if high protection is suddenly introduced, future gain is bought at the cost of great present sacrifice. Prosperity in the future could be obtained with much less suffering if protection were gradu-

¹ c, ix., 361 *seq.* ; ff, ii., 272 *seq.*

ally introduced. Napoleon's system changed German free importation into the severest form of protection, total prohibition of imports, and did this with the suddenness of a thunderbolt. If one nation has abundance of copper and no iron, whilst another nation has abundance of iron and no copper, it is evidently advantageous to both nations to exchange iron for copper. Trade in complementary products is advocated by all tariff reformers, whilst they recognise the unwisdom of allowing the free importation of manufactures which compete with the production of home workers. In Napoleon's system colonial raw materials, such as cotton, were absolutely excluded, although there was no other source from which these raw materials could be adequately supplied.¹ Lastly, when a nation makes sacrifices, it naturally wishes to enjoy the prosperity which may follow. Under Napoleon the subject nations made the greatest sacrifices, whilst France reaped the richest reward.²

4. The German economist, Friedrich List, was born in 1789. In 1816, the year after Waterloo, he was under-secretary in the Government of Würtemberg, and shortly afterwards was appointed Professor of *Staatspraxis* in the University of Tübingen.³ He had therefore ample opportunities for knowing the effect produced in Germany by the Continental System and by the free trade which succeeded it. In regard to Germany he fully recognised the defects of Napoleon's Continental System, nevertheless he came to the conclusion that Napoleon's system was far less harmful to Germany than the free trade which had preceded and succeeded it.⁴ He advocated these views in spite of the violent opposition of the Government, and

¹ c, ix., 123-125.

² c, ix., 392, 425; ff, ii., 326.

³ L, xxix.

⁴ L, 69, 70.

actually had to leave Germany to escape from a sentence of ten months' imprisonment with hard labour for having given expression to them. His love for Germany caused him to return and appeal to the mercy of the king; but no mercy was shown him. He was imprisoned for several months, and his sentence was only shortened on his renouncing his nationality and promising to leave Germany. He was not even allowed to find refuge in France, but was forced to make a new home in the United States. List, however, lived to see his opinions accepted in his fatherland, and he is now regarded as one of the founders of modern Germany.¹

5. The excessive zeal displayed by the King of Würtemberg for free trade and the particularism of the States of Germany were part of the reaction against Napoleon's system and his empire, which had become associated in European minds with the many crimes the French had committed against the nations of Europe. When French armies had pillaged a country, from the ruined inhabitants an enormous tribute was drawn, and when ruined they were forced to accept a system which not only prevented their buying cheap British goods, but also forced them to leave their markets open to the more expensive French manufactures, whilst the French market was closed to the goods they made. It was a system of permanent tribute, under the disguise of a commercial arrangement.²

6. Napoleon doubtless realised that his wisest course would have been to act fairly by every part of the great empire which he had formed; but, as he depended mainly on France for his power, the force of circumstances compelled him, as it had compelled Charles V. and Philip

¹ L, xxx., xxxi.

² c, ix., 392.

II., to favour the centre of his empire at the expense of the provinces. Thus provinces, which were not actually incorporated in France, were compelled to admit French manufactures, and the French, having the advantage of a double market—France being reserved for their production—experienced great prosperity under Napoleon. Invention was stimulated by protection. Thus, when Napoleon forbade the use of colonial sugar, he ordered his chemists to find a substitute. Beet sugar replaced cane sugar, and ultimately this change contributed to that ruin of the British West Indian Islands, from which they are now slowly recovering.¹

7. It is a remarkable testimony to the beneficial effects of protection that the great German economist List, who was an eye-witness of the conditions he described, could write that even those nations which were not incorporated in France derived more benefit from Napoleon's measures than from their former system of free trade.² When it is remembered that Napoleon rode rough-shod over the patriotic instincts of all European nations, except the French, it is not surprising that List's views were not shared by other professors in his time. Nor is it surprising that European Governments, with the exception of the French, were in favour of a free-trade system when Napoleon's reign was over. This afforded Great Britain a magnificent opportunity of which she made excellent use.

8. During the Napoleonic wars, British production had been making enormous strides. The pressing need was for markets, and these free trade would give. Hence the great ideal arose of Britain, the workshop of the world, surrounded by nations, competing with each other to

¹ c, ix., 125, 392.

² L, 69.

supply her with raw materials and buy her finished products. This ideal free-trade British Empire involved the recognition of the sacred principle of nationality in the case of all nations outside the British Empire. In this way competition on the part of those who bought from or sold to Great Britain was secured, and Great Britain could buy cheap and sell dear to her great advantage. This empire was not to be founded on the power of the sword, except in the case of barbarous lands, where the natives were unable to understand the logic of Adam Smith. Its power, in civilised countries, was to be based on the teaching of economists and philosophers.

9. By delivering them from the tyranny of Napoleon, Great Britain had earned the gratitude and respect of the nations of Europe, and, when her philosophers and statesmen were united in proclaiming the merits of free trade as an indisputable scientific truth, their views found an echo on the Continent. Adam Smith had expressed very grave doubts as to whether a nation could acquire new industries under his free-trade system, but he urged that the expansion of old industries would afford ample compensation.¹ The Continental industries were, however, in the infant state, and there was pressing need to develop these and create new ones. The stern logic of fact caused Germany and Belgium ultimately to imitate the protectionist policies of France and Great Britain.

10. Great Britain was consistently on the side of the peoples of Europe in their struggle to become nations. It was part of her policy to encourage the development of the European nations. It was thought that another brotherhood with a new Continental System was rendered

¹A, bk. iv., ch. ii.

impossible by a well-balanced division of power amongst nations, separated from each other by different languages. The British scheme was clever, and it was owing to no fault on the part of her statesmen and philosophers that it was unsuccessful. For a time the scheme gave Great Britain all that she could desire; but, following the example of Germany and Belgium, nation after nation has found that protection is essential to real national union. Thus the weapon Great Britain meant to use has been turned against herself, and she is gradually being confronted with a more dangerous system than the one Napoleon invented.

11. Napoleon's system had two fatal defects—under it the nations of Europe made heavy sacrifices and reaped but small rewards; in addition to this, they could neither buy nor sell in markets outside Europe. In the new continental system, each nation obtains a full reward for any sacrifice it makes, and it has absolute liberty to deal in any market in the world.¹ Great Britain's answer to the Berlin and Milan decrees was her Orders in Council. If she had either feared to take up Napoleon's challenge or failed to recognise the gravity of the issue, what historian would dare to maintain that the present British Empire would ever have been created?²

12. It was chiefly because of the gravity of this issue that Mr. Bryce's book on the *Holy Roman Empire* has already been referred to. It is of some importance that Englishmen should realise that the well-being of the mass of the population was the all-important factor in the past history of mankind, that nations fought to secure this for their own people, and did not fight to prove or

¹ L, 338, 339.

² c, ix., 241.

disprove monkish theories. But it is absolutely necessary that Englishmen should know that during last century the internal and external policy of nations has been governed almost entirely by economic considerations. In the chapters dealing with the resurrection of Germany, Mr. Bryce states definitely that "the most powerful factors in the creation of this national spirit were the varied literary activity of Germany since the days of Lessing, the bracing up of moral fibre by the teachings of Immanuel Kant, the strenuous intellectual life which produced not only two famous poets but a brilliant group of philosophers, historians and jurists, together with the awakened interest and pride of the people in their earlier history, which was one of the first-fruits of that literary revival".¹

13. No one has done more than Mr. Bryce to close British minds to the lesson of the German Zollverein. In the sixty-five pages of his book which deal with modern Germany, List's name is not even referred to, and though the Zollverein is alluded to, the sentence in which it is mentioned is so worded as to convey the impression that the protection of German production played but a trifling part in the unification of Germany.² No German writer is likely to try to correct the impression Mr. Bryce's book conveys to English minds. It is good for Germany that the British should not know the truth. The economic change in Germany has affected every German home; Lessing and Kant are read by the few. If you think national policy is made by the writers of books, you will believe that "the most powerful factors" were Lessing and Kant; but if you believe that the welfare of the

¹ I, 489.² I, 458.

people must govern all great and lasting national movements, you can, by reading List, discover the secret of German success. But you must start by learning that Germany has already beaten Great Britain in the production of iron, and that her people do not live on horse or dog flesh.

14. List died in 1846; but, even before he died, he was able to see a great result follow from his teaching. Since his death a great deal more has been achieved by Germany, and if the past is a guide to the future, there is much more still to be done. This is stated clearly in no inaccessible will of Peter the Great, but in a book which has been translated into English, and which those who wish can easily read. In List's *National System of Political Economy* can be found a description of the second Tariff Reform Movement in Germany, of the league formed by five or six thousand German manufacturers in 1819, of the deputation to a congress at Vienna in 1820, of the three Zollvereins which were formed, the southern between Würtemberg and Bavaria, the northern between Prussia and some smaller States, the central between the middle German States, and finally of the fusion of these three Zollvereins into one great union. List adds: "In consequence of this unification of customs, the industry, trade, and agriculture of the German States forming the union have already made enormous strides".¹

15. It was after List's death that the most startling results followed when Austria was obliged to yield her right to the headship of Germany, which had been hal-
lowed by the tradition of centuries, to Prussia, which had become the first State in the commercial union, and when

¹ L, 71, 72.

France, relying upon German disunion, found herself engaged in war with a nation bound together by the firmest of ties, protection of national industry. Had Machiavelli been alive, he would have found that the converse of his statement had become true, and that great things were done by the emperor because Germany was united. List prophesied much that has come to pass, the establishment of German commercial agents in foreign lands under the guise of German diplomatists, German colonial expansion in tropical regions, whence raw material for German industry can be obtained, lines of German subsidised ships to connect the Fatherland and the colonies, above all the recreation of a Continental System directed against Great Britain.¹

16. The new Continental System avoids, as List desired, the errors of Napoleon.² Under the leadership of Germany, the markets of Europe are fast being closed to British products; but there are no Orders in Council to convince others that Great Britain can strike as well as receive blows. The modern Continental System, directed against Great Britain, finds faithful allies in the foreign middlemen who have taken up their temporary dwelling in these islands. Each nation that adopts the system is directly rewarded for the sacrifices it makes; thus the system grows more popular year by year. It needs no argument to prove that the new system is far more dangerous to Great Britain than the former system, which allowed neither imports nor exports.

17. There was a future in List's scheme which has not yet been realised; the old German customs scheme of the sixteenth century was to be revived by the inclusion

¹ L, 339, 340, 344-349.

² L, 338.

of the Low Countries and Austria in the German Zollverein, and enlarged by the establishment of a German protectorate over the provinces of Turkey.¹ Who can say whether this dream will not also be realised when Great Britain has been forced by free trade to starve her navy? List gave much advice to other nations; he advised France to view calmly German expansion and not to seek expansion at the expense of Germany nor on the shores of the Mediterranean.² He would certainly advise France now to forget the loss of Alsace-Lorraine and kiss the hand that smote her. When Great Britain had been placed in the fitting position relative to Germany, he advised her too to come into the Zollverein, as a conspirator with Germany against that portion of the Anglo-Saxon race which inhabits the United States of America. Until that happy day should dawn, he strongly advised Great Britain to adopt free trade.³ *Timeo Germanos et dona ferentes.*

¹ L, 347, 348.² L, 338, 339.³ L, 340.

XXVI.

THE PROPHET OF A BROTHERHOOD.

GREAT BRITAIN.

1. Adam Smith's education.
2. His friendship with David Hume.
3. It was important that British statesmen should understand French theories.
4. The payment Adam Smith received for his visit to France.
5. British ministers consulted Adam Smith on his return from France.
6. The events which occurred after the consultation.
7. Adam Smith's views on education.
8. His views on public-houses, banks of issue, and medical qualifications.
9. His assumption that capital could not leave a country.
10. His assertion that British capital must flow into British industry, commerce, or shipping.
11. Reasonableness of this assumption 130 years ago.
12. Adam Smith's analogies.
13. The *Wealth of Nations* was intended to be exported.
14. On it British statesmen tried to found the British commercial empire.
15. This empire was as immoral as other empires.
16. Connection between morality and protection.

1. ADAM SMITH was born in 1723, and received his education, up to the age of fourteen, at the Burgh School of his native town, Kirkcaldy, in Scotland. He then spent three years at the University of Glasgow, and finished his education by studying for six years at Oxford. In 1746

Adam Smith returned to his mother's home in Scotland, and two years later began to attract public notice as a lecturer on literature and economics. The lectures he gave in Edinburgh were so successful that in 1750 he was appointed Professor of Logic in the University of Glasgow. In 1751 he was transferred to the Chair of Ethics, which he occupied until the spring of 1764.¹

2. When a student at Glasgow, Smith was asked to write an essay on Hume's *Treatise on Human Nature*, and received from Hume a presentation copy of the book. This was the beginning of a life-long friendship between the two writers. Both men were deeply interested in contemporary French thought which was being expressed by Quesnai, Rousseau, and the *encyclopédistes*. Hume had acquired a great reputation as a writer and thinker on political and economic subjects when Smith was giving his private lectures in Edinburgh, and both friends most loyally used their influence to further each other's interests. Thus Smith in 1751 unsuccessfully used his best endeavours to secure the vacant Chair of Logic for Hume, and later on Hume secured for Smith an appointment which has had a great effect upon the history of the world.²

3. Whilst Smith was lecturing in Glasgow and Hume was writing in Edinburgh, the great war was being fought between Britain and France which, in 1763, left Great Britain, by the treaty of Paris, mistress of India, North America, and of the sea. French economists were boasting that they could by their pens regain for France what Britain had taken from her by the sword. It seemed to be of the utmost importance that British statesmen should be thoroughly conversant with the schemes of the French

¹bb, 1, 3, 9, 15, 19, 23, 27.

²bb, 6, 26, 49, 113, 114, 118-120.

economists, and, immediately after the peace, the two friends were sent to France. Hume was appointed secretary to the British ambassador in Paris, and Smith followed as tutor to the young Duke of Buccleuch who was to finish his education by a residence in France.¹

4. The stepfather of the Duke of Buccleuch was Charles Townshend, a politician who was rapidly coming to the front. Townshend mixed much in Edinburgh society and was one of Hume's friends. He must have known of the reputation Smith had gained in Edinburgh and Glasgow, and when Smith's *Theory of the Moral Sentiments* appeared in 1759, Townshend announced his intention of sending his stepson abroad in Smith's charge. Hume heard of Townshend's intention and took care that this resolution was not forgotten. Extraordinary terms were given in order to tempt Smith to leave Glasgow. "Smith was to have a salary of £300 a year with travelling expenses, and a pension of £300 a year for life. He was thus to enjoy twice his Glasgow income, and to have it assured till death. Altogether, Smith drew more than £8,000 from his three years' tutorship."²

5. Smith and his pupil spent their time in Paris and Toulouse, where they were in close touch with the French literary world; and no trouble was spared to introduce them to those Frenchmen who could acquaint them with the latest French ideas. Whilst in France, Smith commenced his great work, the *Wealth of Nations*.³ On his return to England he was consulted by members of the Government on questions connected with their colonial policy. The outcome of this consultation cannot be described as particularly happy. There had been serious

¹ bb, 113.² bb, 49, 104, 114.³ bb, 122 seq.

friction over the Stamp Act, which had, in the American colonies, violated the principle of no taxation without representation. In February, 1766, the Stamp Act had been repealed to the great joy of the British on both sides of the Atlantic. In November, 1766, Smith returned to England, and found Townshend Chancellor of the Exchequer in a Ministry of which Shelburne was a Secretary of State. From Smith Shelburne sought information at the beginning of the session of 1767 "upon colonial topics". Then Smith retired to Scotland to finish his great work, and the Government, inspired by Smith's friend, Charles Townshend, proceeded to tax tea in America without the consent of the Americans.¹

6. This was the beginning of the great schism in the Anglo-Saxon race, a cleavage made not by the peoples themselves but by the Government of Great Britain, acting upon principles which every child in Great Britain knows were foolish and wrong. One result of this unhappy cleavage was that List could suggest that it would in the future be desirable for Great Britain to side with Europe and engage in a fratricidal conflict with her kinsfolk beyond the sea.² However, the truth that blood is thicker than water is quite as well understood in Great Britain as it is oversea. Smith's great book took long to finish; it was not until 1776 that it was accessible to a public which was eagerly awaiting its appearance.³

7. It would be an easy task, in the fuller knowledge which 130 years have given, to criticise the excesses into which Smith was led when he imitated the French in extolling natural liberty as the panacea for all ills to which humanity is heir. Even with his long experience as a

¹ bb, 146 *seq.*

² L, 340.

³ bb, 164.

teacher, Smith was unable to withstand Rousseau's influence, and preached, like the author of *Emile*, liberty as the cure for all defects in education. Children were to be free after the age of twelve or thirteen, when Rousseau's *infans* becomes a *puer*; ¹ "after twelve or thirteen years of age, force or restraint can scarce ever be necessary to carry on any part of education". Students were to elect, dismiss, and pay their own teachers, to go to lectures or not according to their own wills, and this perfect liberty would be ruined if there was an adult authority to be approached before tutors were appointed and dismissed. ²

8. In all other matters Smith displayed the same keen desire for individual liberty regardless of consequences. He advocated free trade in alcohol and no licences for public-houses. The more public-houses the fewer drunkards, was an item in Smith's creed. ³ All banks as well as the Bank of England should, according to Smith, be allowed to issue paper money. He, however, desired to confine the issue to notes of not less than five pounds, and felt compelled to apologise for this "violation of natural liberty". ⁴ All these paradoxes and many others can be found in the *Wealth of Nations*, but the most astounding paradox is not in that volume. Smith prevented the appointment of a royal commission to inquire into the granting of medical degrees by Scottish universities to "incompetent men" without any examination, by urging that medical men would charge more for their visits if the number of doctors were diminished. ⁵ In this case efficiency and free trade did not go hand in hand. Nevertheless all these paradoxical arguments, as well as the

¹ ccc, 43, 135.

³ A, bk. iv., ch. iii., pt. 2.

⁵ bb, 157 *seq.*

² A, bk. v., ch. i., pt. 3, art. 2.

⁴ A, bk. ii., ch. ii.

argument in favour of free trade, were written by an exceedingly able man. The important point to remember is that they were written 130 years ago.

9. Smith's attempt to prove the truth of the free-trade system is most ingenious. Quesnai has stated that manufacturers added nothing to the wealth of a nation. When Smith wrote his argument for the landowners of Great Britain, he wisely abstained from supporting the paradox, of which Quesnai had been guilty when pleading for the landed aristocracy of France. Quesnai's error was one of commission, and such slips are easily detected. Smith merely made an error of omission, and at the time it appeared as if nothing had been omitted. Smith assumed that capital would remain at home and that "an invisible hand" would divert it into the channel of home production.¹ Once this assumption is made, it is easy to prove the truth of any economic system, however absurd it may be. If capital cannot leave a country, the wealth of the country cannot fail to increase. Experience has proved that protection is the only sure method of checking the flow of capital to foreign lands; this is the reason why protection has been almost universally adopted in civilised nations.

10. Smith assumed that there were only three directions in which British capital could flow, into British industry, into British commerce, and into British shipping. Of these three he wrote that it would first of all flow into British industry; hence there would always be plenty of work for British workers. No free trader has ever advanced any logical basis for free trade, other than that given by Adam Smith; and this is the theory on which Great Britain, 130 years after the *Wealth of Nations* was published,

¹ A, bk. iv., ch. ii.

hopes to compete successfully with other nations, although it is known that the amount of British capital which has been invested abroad is reckoned in thousands of millions. Smith could write "the capital of the country remaining the same, the demand for labour will likewise be the same or very nearly the same, though it may be exerted in different places, and for different occupations". If Smith had thought that the different places would be foreign lands, and that the occupations would be supporting foreigners instead of British workmen, the *Wealth of Nations* would never have been written. Adam Smith frankly admitted that it might be impossible to introduce new industries into a free-trade country; yet he closed his eyes to the historic fact that Great Britain by means of her protective system had created British industries and ruined the manufacturing power of her free-trade neighbours.¹

II. In the golden age of British industry and invention it was natural that the danger of an outflow of British capital should not be recognised. France, Britain's protected rival, was her only serious competitor, and although some British capital did seek investment in France,² constant wars between the two countries made the amount so small as to be beneath serious consideration. An outflow to the British colonies was not an outflow to the foreigner; it tended to strengthen the empire. Smith's book well deserved the popularity it at once enjoyed. It was a magnificent weapon for the British. Although the book was somewhat diffuse, it abounded in illustrations, charming in their homeliness and easily remembered. The man in the street could quote these when there was

¹ A, bk. iv., ch. ii.

² A, bk. i., ch. ix.

not time for a long discussion. He does so still, although there have been many changes during the last 130 years.

12. "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. . . . What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom."¹ This sounds convincing if you have not time to think. If, however, you reflect that an individual cannot be simultaneously a tailor, a farmer, a shoemaker and so forth, because he is an individual, whereas a nation, consisting of many millions of individuals can find plenty of men to work in all these capacities the analogy seems to be inconclusive. Free traders might have discovered this in somewhat less than 130 years.

13. No criticisms of the *Wealth of Nations* can alter the fact that the book was one of the greatest of Britain's inventions and productions in Britain's golden age. It was manufactured mainly for exportation, and it admirably suited the purpose for which it was designed.² The French were touched by that most delicate form of flattery, the British imitation of Quesnai's *Tableau Economique*, and Pitt's envoy found no difficulty in negotiating the Eden treaty in 1786. When Napoleon's power was crushed, Adam Smith's views were accepted by all European economists, except List; and at first the Governments of Europe were, with the exception of the French, most favourably inclined towards free trade.

¹ A, bk. iv., ch. ii.

² L, 296.

14. List has written an account of the efforts made by Pitt's disciples, Canning and Huskisson, to induce foreign nations, and particularly France, to acquiesce in the commercial supremacy of Great Britain by accepting the principle of free trade.¹ When these efforts failed, and France not only protected herself but tried to extend her influence over the Spanish American colonies by reverting to the old policy of uniting France and Spain, Canning called the New World into existence to redress the balance of the Old. To his intimate friend and colleague, Lord Granville, Canning wrote: "And so, behold! the New World established, and, if we do not throw it away, ours!"²

15. Canning had checkmated Napoleon by borrowing the Danish fleet in 1807, and the new move was characterised by the same adroitness and the same intelligent patriotism. Yet Britons cannot think of it with the pride they feel when they read the story of the great wars. When they fought Napoleon, the British were fighting for the freedom of the Anglo-Saxon race in the British Isles and beyond the sea; after they had secured this freedom, they were manœuvring to reduce other nations to commercial subjection. When Cobden sought to make Britain the workshop of the world, he had the same end in view as Canning had had before him, though Cobden's methods were a parody of the schemes which Canning's intellect devised. This commercial empire is nearly as distasteful to tariff reformers as List's preposterous suggestion of a league between Great Britain and Germany to check the prosperity of the United States.³

16. Tariff reformers hate war whether it is waged against strong Powers or against weak and uncivilised

¹ L, 298 *seq.*² dd, 447.³ L, 340.

racés, in order that a free-trade system may be bolstered up by draining wealth from weaker peoples. They know that weak nations invite attack, and that Berlin decrees, if not replied to, must weaken Great Britain. Hence they wish to protect the labour of the poor in Britain by the method which every other civilised nation employs, a method originally devised by Great Britain. They know from history that protection unites and free trade divides, and they long for union with their brethren oversea. They even dream that the scheme they advocate may be used to heal the wound which was inflicted on the British race when the stupidity of a past generation divided it. Meanwhile, to use the words of a great American poet, they seek to "bring fair wages for brave men, a nation saved, a race delivered".

XXVII.

TWO CIVIL WARS AND THEIR RESULTS.

THE UNITED STATES.

1. Effects of schism on the British race.
 2. Causes of the schism.
 3. Bitterness after the war.
 4. British and American mistakes.
 5. The British Confederation now confronted with new conditions.
 6. Napoleon's system aided American manufactures.
 7. Free artisans lived in the Northern, and agricultural slaves in the Southern States.
 8. The South desired free trade, and the North protection.
 9. The economic struggle ended in civil war.
 10. At first the issue depended on the economic character of the new Western States.
 11. Gold discoveries in California made the North predominant, and the Southern States seceded.
 12. Slavery was not the immediate cause of the war.
 13. After the war the United States adopted protection.
 14. British free traders warned Americans of the danger of protection.
 15. Now Americans warn Great Britain.
 16. The British Empire is not an old country, but is newer than the United States.
1. IT is surprising that Anglo-Saxondom suffered so little from the great schism of the eighteenth century. Great Britain was left to fight single-handed against France, and succeeded so completely on the sea that, even when Napoleon had united Europe against the British, the

United States were able to gain many advantages from the conflict. When Great Britain, by her command of the sea, severed the connection between European nations and their North American colonies, vast territories were surrendered to the United States to save them from falling into British hands.¹ Great Britain showed wisdom in viewing with satisfaction this growth of a great Anglo-Saxon nation. Her loyal children have acquired enough land to supply them with all they need, and she can still feel pride in the marvellous expansion of her former thirteen colonies.

2. Happily time heals the wounds left by war, even by civil war. The North and South have forgotten the War of 1860, and British and Americans can reason calmly about the much more ancient War of Independence. Englishmen realise that Americans were justified in asserting the principle of no taxation without representation, and Americans are ready to admit that, if the British claimed unjustifiable rights, they exercised these rights with great moderation.² If the Americans had been represented in Parliament, they would probably have felt at the time that they were paying too little towards the cost of the wars which left an English-speaking race almost supreme in North America. Great Britain acted like a stupid but affectionate father, who gives much to his son and then spoils all by treating a man as if he were a child.

3. Much bitter feeling remained when the provisional treaty of peace between Great Britain and the United States was signed on the 30th of November, 1782. The Americans particularly resented the use Great Britain had made of German mercenaries and Indians in fighting her own flesh and blood. All Anglo-Saxons must regret

¹ c, vii., 325, 326; ff, ii., 105.

² 22, 334, 335.

this terrible chapter in the history of their race. It should, however, be easy for the Americans to forget and forgive, since they themselves, actuated by the same desire to preserve union, not only freely enlisted aliens in their armies but put arms in the hands of 150,000 negroes, when nearly a century later they were experiencing the horrors of civil war.¹

4. No good American can sympathise with the treatment meted out to the loyalists at the end of the War of Independence, nor with the attack made upon these loyalists in their refuge in Canada during the War of 1812, which was forced upon the Mother Country when she was engaged in a desperate contest for the freedom of the Anglo-Saxon race. There are, however, certain memories that both nations can recall with pleasure; during the War of Independence a large proportion of the inhabitants of the British Islands were in complete sympathy with the revolting colonies, and during the War of 1812 there was equally strong sympathy for the British cause in that cradle of freedom, the New England States.²

5. The loss caused by Anglo-Saxon disunion has been balanced by gains. In the British Empire the American principle of no taxation without representation and the principle of union, for which Great Britain fought, have both triumphed. Two great Anglo-Saxon federations have been formed, which grant perfect freedom and equality to all their members. Hitherto, by mutual consent, each part of the British Empire has worked out its own salvation, and so far with great success. But the Anglo-Saxon race finds itself now confronted with vast national commercial combinations. Led by loyal Canada,

¹ c, vii., 596.

² c, vii., 336, 337, 348.

the empire is seeking to find the best means by which each member may help its brother, without impairing the freedom and equality which the allied British nations happily possess. There are those who fear that Canada will despair of success, because of a government which owes its existence to the lack of historical knowledge in Great Britain, and which, in this respect, partially reflects the mental condition of those who placed it in power. Such fears only show that Canadian history has been scandalously neglected in the schools of Great Britain. They are an unintentional insult to Canadians whose ancestors were United Empire Loyalists.¹

6. The war of 1812 was caused by the Berlin and Milan decrees and the Orders in Council which between them closed Europe to American commerce. Before they resorted to war, the Americans had replied by Acts of Congress, which prohibited first importation from, and later on intercourse with, the authors of the Decrees and Orders. These Acts caused much suffering in America, but in the midst of this pain the industry of the United States was born. Forced to rely upon themselves, the Americans began to make what they needed.² When peace was restored in 1815, Great Britain promptly flooded the American market with her goods.³ Although the Americans shared the prevalent belief in free trade, the stern logic of facts compelled them to adopt protection.⁴

7. The conditions which caused the war between the Northern and the Southern States existed from the commencement of the republic. The Northern States reproduced the economic condition of the Mother Country. They were peopled by a white race eager to compete with

¹ c, vii., 307.

² c, vii., 353, 354.

³ c, vii., 354, 355.

⁴ c, vii., 356.

Great Britain in manufacturing activity. The Southern States reproduced a much older economic condition. They grew great quantities of raw material, employing alien slave labour in the work of production. This industry was at first very profitable, and as there was an unlimited amount of land waiting to be developed, capital flowed exclusively into the channel of agricultural production. The Southerners bought manufactured goods and sold raw material, and, like the Frenchmen of Bordeaux, they were ardent free traders. As in Rome, free importation and slavery went hand in hand. Down South there was room only for rich planters, middlemen, and negroes. Under this system of free trade the free working-man was either crowded out or degenerated into what was called the mean white, a worthless product of a bad system. At the commencement of the Civil War, Cobden's sympathies were with the South, because "though the Southerners were slaveholders, their interests made them Free Traders".¹

8. When the United States were in the agricultural condition, the Southern States were the predominant partners in the federation. They brought about the war of 1812, in spite of the opposition of New England. They bitterly opposed the protective measures of 1816, which were only intended to meet the distress caused by the sudden influx of cheap goods and were to cease after three years. In 1820, however, a short experience of free trade rekindled the agitation for protection in the Northern States. After a prolonged struggle, protection was adopted as a national policy in 1824. Great Britain then reduced her tariff on raw materials. Once more British manufactures began to flood the American mar-

¹ x, 837.

ket. In spite of the opposition of the South, a very stringent protective measure, called the Tariff of Abominations, was passed in 1828.¹ The Southern opposition, led by South Carolina, caused this tariff to be modified in 1832; even when modified it was still protective, but it was to lose its protective character gradually between 1832 and 1842.²

9. In the American Constitution the Dutch principle of a federation of independent States and the British principle of a united nation were curiously blended. In the national Congress, the Senate represented the States, irrespective of population, whilst the House of Representatives was elected by the nation as a whole, and the vote of each citizen had approximately the same weight, irrespective of the State to which he belonged. South Carolina advanced the theory that the Union was a federation upon the Dutch pattern, and that a dissatisfied State had the right to secede from it. This was, in fact, the cause for which the States had fought, when they won their independence; but it clearly involved the possibility of an indefinite division of a great portion of the Anglo-Saxon race. The issue was extremely grave, but a compromise was effected. The tariff was modified, and an economic struggle commenced between the North and South which ultimately developed into the great Civil War.

10. Whilst this contest was proceeding, the West was being opened up. As settlers occupied the vacant lands, new States established claims to be admitted into the Union. On the character of these States the whole future of the country depended. If slavery were not allowed in them they would have a body of white workers who

¹ c, vii., 375-377.

² c, vii., 380 *seq.*

would demand protection for their labour; whereas, if they became slave States, there would be no room in them for white workers and they would desire free trade. For a time the South succeeded in holding her own, and the balance between free and slave States was kept; but the fight was really hopeless from the very first. In an Anglo-Saxon nation the cry of free trade and slavery can have no chance of ultimate success against the principle of protection for white workers.

11. The rush to California, when gold was discovered there in 1848, was a factor which disturbed the calculations of the South.¹ If the mines had been close at hand, planters and their slaves might have migrated thither as they did into the territory taken from Mexico. The distance, however, made this impossible, and in 1850 California was admitted as a free State.² Ten years later, the election of President Lincoln made it evident that the predominant influence of the South in the Union had passed away. Led by South Carolina, the Southern States again enunciated the Dutch theory of the federation, and by seceding from the Union commenced the civil war.³

12. It is not correct to say that the South seceded in order to preserve slavery.⁴ Doubtless in time the system would have disappeared, when white labour was efficiently protected; but it was generally agreed that the federal Government had no right whatever to interfere with an institution which, from the very first, had been regarded as a matter affecting only the individual States. Many months elapsed after the first shot in the war was fired before President Lincoln issued, as a war measure, his pro-

¹ C, vii., 400.

² C, vii., 404.

³ C, vii., 441.

⁴ C, vii., 441, 442.

clamation of emancipation.¹ The war was fought because the South was unwilling to lose her right to buy manufactured goods in the cheapest market, and because the North realised that this right prevented the development of her industry.

13. To raise money for the war, heavy duties were levied on foreign manufactures, but these were counter-balanced by internal taxes, so that they afforded little protection to home industry. When the war was over the internal taxes were removed and the United States adopted a system of protection.² Owing to this wise policy, the disbanded soldiers found without difficulty employment in rapidly developing industries.³ If the country had reverted to a free-trade policy, the number of disbanded soldiers was so great that the dearth of work would probably have been far more serious than that experienced in Great Britain after the Boer War.

14. Every effort was made by English free traders to dissuade their transatlantic kinsfolk from adopting protection. John Bright wrote to an American manufacturer: "protection will not content itself with enriching manufacturers, but will be called in to give high wages and shorter hours of labour to your workmen". Terrible as this industrial prospect appeared to Bright and the Manchester school, it did not deter the American manufacturers and their workmen from voting for wealth, high wages, short hours, and protection. So confident were British free traders of the ruin which awaited protected America, that the President of the Cobden Club, Sir L. Playfair, asserted that "if the Americans be right in principle, and if they be successful in practice, then the whole policy of Great

¹ c, vii., 580 *seq.*

² c, vii., 635.

³ c, vii., 543, 544.

Britain is founded upon a gigantic error, and must lead to our ruin as a commercial nation". These quotations are typical of the arguments addressed to Americans by British free traders in the hope of inducing them to allow the British to continue to supply the American market.

15. History is always repeating itself. Last century prosperous protected Britain preached the virtues of free trade to struggling manufacturers in America; so now Mr. Carnegie, after amassing an enormous fortune in the United States, tries to educate the British not only by founding public libraries but by writing magazine articles to make clear the advantages Great Britain derives from free trade.¹ The prosperity in the United States is so great that free traders do not attempt to deny it. They have therefore had recourse to the new country argument. According to this theory, new countries, under any fiscal system, are bound to become more prosperous than old countries. The theory, however, fails to explain why, in the case of new countries, such as the United States and Canada, prosperity has followed and not preceded the adoption of a protective system; nor does the theory explain why the protective system has created a similar prosperous condition in old countries, such as Germany and Italy.

16. If by a new country is meant one which has enormous tracts of land waiting for development, there is no country so new as the British Empire. It is generally admitted that the guiding intellect amongst the group of men who founded the United States belonged to Alexander Hamilton. As Hamilton taught his countrymen to disregard the teaching of the schoolmen and

¹ *Nineteenth Century*, April, 1904.

“think continentally,” so Mr. Chamberlain has urged the British race to “think imperially,” and the empire he dreams of is an infinitely higher conception than one held by the sword like Napoleon’s, or won by the folly of surrounding nations like Cobden’s. It is based upon the union of co-ordinated labour, and its guiding principle is the protection of the British worker. In this empire there is room for all the Britains. Joining the federation involves no loss of dignity or independence, since all will have equal rights. It may be only a dream, but stranger things have happened than that Anglo-Saxons should ultimately devise a method by which commerce, that divided the race in the past, should in the future reunite all those who were meant to be one great family.

XXVIII.

A PROVINCE IN BRITAIN'S COMMERCIAL EMPIRE.

IRELAND.

1. Ireland became a province in the commercial empire.
2. When Ireland asked for union, her request was refused.
3. In 1783 Ireland was partially emancipated.
4. Then her industry prospered in spite of disadvantages.
5. Ireland proposed a commercial alliance with Great Britain, but her request was refused.
6. Ireland's agriculture prospered under protection.
7. Ireland's manufactures prospered under protection.
8. Irish industry was supported by bounties.
9. Irish manufactures were ruined by free trade.
10. Pitt intended to treat Ireland fairly.
11. Pitt believed in free trade within the empire.
12. Agricultural countries are liable to famines.
13. French economists advocated the free exportation of grain in famine years.
14. Mr. John Morley shares their views on this subject.
15. Men die of starvation because they have no money to spend on food.
16. Ireland exported grain to England during the Great Famine.

I. THERE is only one nation which has been compelled through force of circumstances to become a province in the British commercial empire, as originally planned by Smith, Pitt, and Canning, though many colonies have also been seriously injured by British free trade. Other nations have given the scheme a trial for a longer or shorter

period and then decided against it, but the Irish have had to be provincials in the empire for more than a century. In 1888 Mr. Bryce edited and published a book called *Two Centuries of Irish History*. In the introduction Mr. Bryce wrote that the book was one "which I have taken no small pains to bring before the world,"¹ and it is impossible to believe that so eminent an historian would have taken this trouble, unless the writers, whom he had asked to tell the story of Ireland's past, were giving an accurate description of Ireland's history to the world. The Irish question has been so keenly debated on both sides that it is of the utmost importance to have a history to refer to which is guaranteed by Mr. Bryce. Few free traders could doubt the fiscal orthodoxy of a writer who attributes the unification of Germany to every cause except the Zollverein.²

2. In the beginning of the eighteenth century, before the union of England and Scotland was accomplished, Ireland had expressed a strong desire to join the union; but such serious alarm was felt by British manufacturers at the effects which would follow, if the industrious Irish were allowed to compete freely with them, that the English Government refused the Irish request.³ Ireland therefore remained in a provincial condition. She had, it is true, a Parliament in Dublin, but this Parliament represented only a part of the Protestant minority, who were practically a British garrison occupying a hostile country. The Presbyterians of Ulster were persecuted as well as the Catholics, and there was during the century a constant stream of Irish emigrants to the American colonies. In the War of Independence the Irish-Americans made

¹ J, xii.² I, 440 *seq.*³ J, 36; bbb, i., 317-339.

Great Britain pay dearly for the wrongs which had been inflicted on their fathers in Ireland, at the request of the selfish merchants of Great Britain.

3. Not only did the Irish Parliament fail to represent the Irish people, but the British Parliament also claimed the right to legislate for Ireland.¹ Under this extraordinary dual form of government, Acts were passed which ruined Irish industry and commerce in the supposed interests of British industry. When the American colonies revolted, the Irish seized the opportunity to attack the authority which the British Parliament claimed. In 1783 Britain's fortune was at a very low ebb, and fear compelled the British Parliament to yield. Ireland in a sense became free, although she was still ruled by an Irish Parliament which represented only a part of the Protestant minority. These facts can all be found in that portion of Mr. Bryce's book which deals with Irish history up to the time of Grattan's Parliament.

4. In the same book Dr. Sigerson, who wrote the history of Ireland during Grattan's Parliament, describes fully the extraordinary revival of Irish industry which was destroyed by the Union. Irish manufactures were safeguarded by such light duties that they failed to protect, whilst English manufactures were being worked under the protection of a high tariff. This, according to the orthodox doctrine of free trade, should have injured Great Britain, but Mr. Bryce's author regards it as a distinct Irish grievance. "English merchants, strong in capital and skill, and having their own ports guarded by high protective tariffs, were pouring their goods through the open ports of Ireland so as to overwhelm its infant industries

¹ J, 73 ; bbb, i., 37, 38, 407.

and destroy its manufacturing projects. This it was which closed the factories and drove out the busy hands into wretched idleness. It was sought to redress the grievance in Parliament by levelling up the duties. When that effort failed through a reluctance on the part of placemen and pensioners to irritate the Government, the people took the matter into their own hands.¹ . . . Can it be a matter of wonder that Irish manufacturers complained and formed non-importation leagues? What really does surprise the impartial observer is the amazing progress they made under such conditions. Free trade in manufactures was a mere mockery, so far as it related to Great Britain, with the solitary exception of linen—and not of all kinds of linen. British ports were shut against manufacturing Ireland; on the other hand, Irish ports were open to British goods.”²

5. In 1785 a great effort was made to establish fair trade relations between Great Britain and Ireland. Eleven resolutions, intended to form the basis of a commercial treaty between the two islands, were passed in the Irish Parliament. “They ordered: the admission of foreign articles through either country as if directly imported; the abolition of prohibitions and the equalisation of duties—these to be levelled down; the regulation of internal duties in due proportion; and the abolition of bounties on goods intended for either country, except food stuffs. The last, or eleventh, proposition attracted special attention. It provided that whenever the hereditary revenue (during peace) produced more than the sum of £656,000, the surplus should be appropriated to the support of the navy.”³ Considering the economic advantage England

¹ J, 103, 104.² J, 105.³ J, 108.

possessed in her supply of cheap coal, Ireland's offer, as Pitt himself realised, was a most generous one. The Whigs under Fox, however, opposed the scheme; friends of the United States, friends of Napoleon, friends of every country but their own, "their speeches helped to inflame the country and stir up scores of petitions".¹ Pitt was forced to give way, and the resolutions were returned to Ireland with conditions attached which prohibited Irish trade from passing the Cape of Good Hope or Cape Horn. Thus the selfishness of the British once again defeated the real union of two sister islands.²

6. In spite of this failure, and in spite of the want of adequate protection for Irish manufactures, Ireland was prosperous, and Dr. Sigerson attributes this prosperity to the fact that "when Parliament rose the manufacturing population renewed, enlarged and enforced their non-importation league".³ Abandoned by Parliament, Irish patriotism enforced the sternest form of protection, absolute prohibition. Dr. Sigerson mentions another reason for Ireland's prosperity. "In the account of the interchange of cereals with Great Britain for the ten years following 1780, Ireland had a balance in her favour of nearly £1,500,000, according to the English official statement. This was due to a well-arranged system of bounties, which, controlling the cost of inland carriage, brought the market to the farmer's door, and, securing him a constant home demand, gave encouragement to create a surplus for export."⁴

7. The next writer in Mr. Bryce's book, Dr. Bridges is in complete agreement with Dr. Sigerson as to the wisdom of the State-nursing of infant industries. He

¹ J, 109.² J, 110.³ J, 111.⁴ J, 115, 116.

laments the fact that Ireland by the financial terms of the Union was not left "able to nurse her growing manufactures as England had nursed hers in previous centuries, and as other countries, our own colonies included, have done since; able, therefore, to supply the most urgent of her economic needs—an outlet for that part of her population which the tillage of the soil might fail to support".¹

8. It is well known that bounties are only another form of protection, but lest there should be any mistake in this matter, Dr. Sigerson writes of the revival of Irish industry under Grattan's Parliament: "When we look at the enormous disparity between the duties of the two countries and consider that the British capitalists had held possession of the market, it seems a marvel that Irish manufactures should take root at all. Close study of the problem reveals that this happened because the Irish Parliament had men who seized upon the true principles of economic laws and applied them with great sagacity. They could not spend money in fostering factories and trade as England did, but what comparatively small sums they gave were more fruitful because more judiciously allotted. By this means they raised their factories from the ruins the laws had made, and by this means also their fisheries became the envy and admiration of their neighbours." ² Dr. Sigerson expresses himself with admirable clearness. If a nation accepts the true principles of political economy and is unable to frame a retaliatory tariff, the next best thing is to foster manufactures by the judicious use of bounties.

9. Dr. Sigerson and Dr. Bridges are agreed in attributing the ruin of Irish manufactures to the system of

¹ J, 256.

² J, 106.

free trade which was introduced with the Union in 1800. The Irish tariff was gradually reduced, possibly in order to avert a sudden catastrophe, such as that which occurred in France after the Eden treaty ; and with the tariff and bounties Irish manufactures passed away.¹ It is often urged that Ireland has been unfairly treated in the financial arrangements made with Great Britain, and that her poverty arises from this cause. But Ireland's great loss was experienced when her manufactures were ruined, and the inequality in financial relations is due mainly to the increase of wealth in Great Britain and its decrease in Ireland. Arrangements made between two moderately prosperous men may become ridiculously unfair if one becomes a millionaire and the other a pauper.

10. When Pitt spoke on the proposed union between Great Britain and Ireland he said : "We must show that we are not grasping at financial advantages, that we are not looking for commercial monopoly ; we must show that we wish to make the empire more powerful and more secure, by making Ireland more free and more happy. These, sir, are the views—these are the only views with which I could ever have proposed this measure ; and it is with these views alone that it can be rendered effectual to its object, and establish mutual harmony and confidence between the two nations."² Although the most corrupt means were employed to gain the assent of the Irish Parliament, it should be remembered that Pitt in 1801, when the affairs of the British empire, to which he was so devoted, were in a critical condition, resigned office because the promise of Catholic emancipation was not kept, and that Pitt's disciple, Canning, was a life-long supporter of

¹ w, 205-207.² q, iii., 161.

the Catholic claims. These facts seem to prove conclusively that Pitt was absolutely sincere when he said that he advocated the Union because he believed that it would bring happiness and prosperity to Ireland.

11. The establishment of free trade between the sister islands involved only the removal of octroi duties between two portions of one nation; and, according to the free-trade theory, octroi duties within an empire are injurious to the prosperity of the whole empire as well as the portions affected. Ireland, by entering the British customs union, gained a safe protected market for her agricultural products, even if she lost some of her manufactures, and that she would lose her manufactures was anything but clear to those who believed in Adam Smith's theory. That there was much to be said for this view is shown by the fact that between 1800 and 1840 the populations of Great Britain and Ireland increased in about the same proportion, whilst Ireland, excluding the Ulster industries, became a purely agricultural country and Great Britain developed both her manufactures and her agriculture.

12. Purely agricultural communities are necessarily liable to suffer the full horrors of famine when crops fail. They have no manufactured goods whose sale they can force and thus obtain food supplies from abroad. The poor in Ireland lived on the potato and bought cheap British goods by exporting cereals, cattle, and dairy produce. Pitt could not have predicted that when the potato was blighted and the Great Famine occurred, a British prime minister, with the consent of Irish nationalist members of Parliament, should make the suffering of the Irish his excuse for destroying the value of those Irish products, which had not been blighted, by exposing them to the full fury of foreign competition. French folly in 1786 seems

to be almost wisdom when compared with British folly in 1846.

13. Before Turgot, that eminent disciple of Quesnai, became a French finance minister, he was made Intendant of Limoges, of all the thirty-two districts governed by intendants "the poorest, the rudest, the most backward, and the most miserable".¹ Mr. John Morley, in his essay on Turgot, describes the many useful reforms Turgot introduced during his term of office. Amongst these reforms there was one of which Mr. Morley expresses his approval. Turgot's "first battle was on an issue which is painfully familiar to our own Indian administrators at the present time. In 1764, an edict had been promulgated decreeing free trade in grain, not with foreign countries, but among the different provinces of the kingdom."² The maize, black grain, and chestnuts, on which the unhappy peasants in Turgot's province supported life, failed in 1770, and the famine lasted two years. The Parlement of Bordeaux at once suspended the edict and forbade grain dealers to remove grain from the famine-stricken province.

14. In obedience to the teaching of the economists Turgot overcame "the strong forces of ignorance, prejudice, and greediness raised up against him".³ Free trade in grain was restored, and of the famished creatures who tried forcibly to prevent waggoners from carrying away the food, Mr. Morley writes: "Hunger prevented people from discerning the unanswerable force of the argument that if the grain commanded a higher price somewhere else, that was a sure sign of the need there being more dire".⁴ It is the present Chief Secretary for

¹ r, 195.² r, 216.³ r, 216.⁴ r, 217.

India who wrote this astounding argument. Those who care for the Indian Empire should pray that, in the event of dearth in India whilst Mr. Morley guides Indian affairs, free trade precedents will be disregarded.

15. In a country which depends entirely on agriculture, part of each year's crop must be sold to pay rates, taxes, or rent, and to buy clothing or other necessities.¹ When there is an exceedingly small crop, the mass of the people, who live from hand to mouth, are unable to keep their scanty harvest, because the strong arm of the law compels them to sell it to discharge their liabilities. In simple English the people cannot buy food because they have no money; and using this simple form of expression is not necessarily a sign of being tainted with any extreme form of bullionist heresy. In a neighbouring land there may be at the time plenty of wealth, and the small supply of food in the famine-stricken district must flow over the border unless this flow is prevented by law. Obeying, as they thought, the teaching of Christ, our ancestors used to prohibit the export of grain in famine years, keeping it to feed the starving. It is simply absurd to argue that when grain leaves a famine-stricken district it is "a sure sign of the need being more dire" in the country to which the grain is sent.

16. In Great Britain, in 1844, "the harvest of the autumn had been a productive one, trade was brisk, the manufacturing classes well employed, and the abundance of capital was testified, among other symptoms, by the unprecedented number of new railway undertakings".² In 1845 the average price of wheat was 53s. 11½d.,³ in 1846, 57s. 6d.⁴ There is no evidence of the need in

¹ L, 245. ² S, 1845, (1), (2). ³ S, 1845, (429). ⁴ S, 1846, (424).

England being more dire than in Ireland at the time of the Great Famine ; in fact every one knows that the distress was confined to Ireland.¹ Yet when the potato failed and Irish men and women were dying of famine, in obedience to the teaching of British economists, there was no prohibition on the exportation of food stuffs from Ireland. Grain, meat, and even potatoes were freely shipped to England, and the Irish were literally murdered by free trade.² During the last sixty years economists have succeeded in reducing the population of Ireland to half its former number, yet Irish Nationalists feel no shame in assisting a Liberal Government to maintain that free-trade system which has been so terrible a curse to Ireland.

¹ nn, iv., 603.

² u, 25 ; nn, iv., 679.

XXIX.

THE COMING OF THE DREAMER.

GREAT BRITAIN.

1. The character of Cobden's parents.
2. Cobden's character and education.
3. His business career.
4. His private finance.
5. His first fiscal policy.
6. His later fiscal policy was not adapted to modern conditions.
7. His commercial empire was not to be founded on force.
8. The middle class were to rule.
9. Cobden's ideal rulers.
10. Bastiat's influence upon Cobden.
11. Cobden's later policy.
12. Cobden advocated the emigration of British workmen.
13. Cobden called himself a middle-class agitator.
14. Gladstone failed to unite free traders and Irishmen.
15. The effect on Ireland of Cobden's policy.
16. The fiscal policies of 1842 and 1846.

1. IN Mr. John Morley's *Life of Richard Cobden* there is easily accessible to every Englishman a graphic description of the life and teaching of the statesman who succeeded in altering the whole character of the commercial empire which Pitt and Canning had tried to found. Cobden was the son of a small farmer in Sussex. This farmer was "the gentlest and kindest of men. Honest and upright himself, he was incapable of doubting the honesty and

uprightness of others. He was cheated without suspecting it, and he had not force of character enough to redeem a fortune which gradually slipped away from him. Poverty oozed in with gentle swiftness, and lay about him like a dull cloak for the rest of his life." Cobden's mother had a very different character; "she was endowed with native sense, shrewdness, and force of mind".¹

2. Richard Cobden himself was curiously like both his parents; and this is perhaps the reason why his followers think him gifted with his mother's "sense, shrewdness, and force of mind," whilst his opponents realise that "he was cheated without suspecting it". His shrewdness enabled him to convert the British people to a policy which caused List² to tremble for the future of Germany; his belief in others made him in after-life the mouthpiece of the French philosopher, Bastiat.³ In his business life there was the same mixture of shrewdness and gullibility. Sent to a school, which Mr. Morley compares to Dotheboys' Hall, where he was "ill fed, ill taught, ill used," Cobden commenced work in an uncle's warehouse at the age of fifteen.⁴ When he was twenty-four, Cobden started in business on his own account in partnership with two friends.⁵ The business prospered from the very first, and Cobden soon sought a wider range for his abilities in political life. Here he was again successful, and in 1841, at the age of thirty-seven, he became member for Stockport.⁶ In all this it is possible to see the shrewdness and force of character which he inherited from his mother.

3. Two years before he entered Parliament, Cobden withdrew from his partners in business and formed a new

¹ x, 3.

² L, xxxvii.

³ "Cobden's Foreign Teacher" in *National Review*, December, 1905.

⁴ x, 4, 5.

⁵ x, 15 *seq.*

⁶ x, 176.

partnership with his brother Frederick. This brother had been in business in America and in England, but, like his father, he had achieved no success in any of his undertakings.¹ From the moment Cobden left his old partners his fortune in business disappeared. The history of the firm of Cobden Brothers is a record of mismanagement and failure.² In addition to this, Cobden had made "speculative purchases of land in various quarters in Manchester." For five-and-twenty years Cobden paid a thousand a year, in the shape of chief rent, for a property which thus brought him not a shilling of return."³ Disaster was staring him in the face when relief was afforded by a public subscription of "between seventy-five and eighty thousand pounds". Cobden at once took a fourteen months' holiday, whilst his friends wound up his business affairs.⁴

4. After Cobden's debts had been paid, there was a balance left from the subscription, and this was given to Cobden. "With a portion of the proceeds of the national testimonial Cobden had purchased the little property which had belonged to his forefathers. The rest, or most of the rest, he had invested in the shares of an American railway."⁵ He made this investment in spite of the advice of his business friends, who pointed out to him that there were calls on the shares which would have to be met. Cobden had to borrow money to pay these calls, and was again in financial trouble when a friend gave him "several thousand pounds," and later on "a still larger sum".⁶ Two years after these gifts were made, Cobden's financial difficulties again became acute, and in 1860 "a subscription was privately raised which amounted to the sum of £40,000".⁷ This was given to Cobden five years before

¹ x, 5, 21.² x, 330 *seq.*³ x, 159.⁴ x, 413, 415, 466.⁵ x, 684 *seq.*⁶ x, 687.⁷ x, 749, 750.

his death. It seems clear that Cobden inherited mental qualities from his father as well as from his mother.

5. The same strange blend may be traced in Cobden's policy. In 1835 he was in favour of substituting for the Corn Laws "a moderate duty . . . of two shillings a quarter".¹ If this had been done in 1816, Cobden maintained that manufactures would not have sprung up in foreign countries. This view, whether it is right or wrong, was shared by List,² who greatly feared that the repeal of the Corn Laws would enable England still further to encroach on German industry.³ Cobden and List were also both in agreement as to the folly of refusing to accept American corn in exchange for British manufactures. They both denounced that form of commerce as speculative which consisted in accepting American paper bonds for British goods.⁴ Cobden was also in advance of his times when he steadily urged that his policy would not reduce the rate of wages, since he sought to widen the area of exchange for British manufactures, and that this must tend to increase wages.⁵ In these respects Cobden was what would be called to-day a very advanced Chamberlainite, and it was owing to his common sense, and not to his extravagant theories, that he succeeded in converting Great Britain.

6. Cobden was a phrenologist, and Mr. Morley justly says: "to accept phrenology to-day would stamp a man as unscientific, but to accept it in 1835 was a good sign of mental activity".⁶ This is true of many other things as well as of phrenology. The protection afforded to British agriculture by the cost of freight from foreign lands has been steadily diminishing. In 1868 freight from Chicago to Liverpool was 11s. 6d. per quarter of wheat, in 1902 it

¹ X, i., 150.

² L, 297, 298.

³ L, xxxvii.

⁴ Y, i., 13; L, 222, 223.

⁵ Y, i., 5 *seq.*

⁶ x, 40, 41.

was under 3s.¹ In 1835 Cobden advocated a duty of 2s. a quarter on wheat. No one doubts that Cobden held more extravagant views in later life; it was in later life that Quesnai published his pamphlet on squaring the circle. It is almost painful to mention these extravagances of a great Englishman; but it is necessary since they have been elevated by his followers into dogmas of an anti-national creed.

7. Cobden's first ideal was Britain the workshop of the world, with nations, commercially subject though politically independent, competing to supply her with food-stuffs and raw materials. It was the empire which Pitt and his disciples had sought to found. The happy British would have bought cheap and sold dear, but whether in so doing they would have fulfilled the law of Christ, as Cobden maintained,² is open to serious doubt. In this commercial empire colonies were obviously unnecessary; they were, moreover, a serious expense to the Mother Country, and, as early as 1835, Cobden expressed grave doubts as to the wisdom of retaining colonies.³ This commercial empire was to be controlled by purely mental forces, cunning on the part of Great Britain, and folly on the part of the subject nations. War was absolutely unnecessary, and Cobden was consistently in favour of peace.

8. The landowning class, descendants of feudal lords and full of old-fashioned ideas, were unfit to be the rulers of this vast commercial empire, but it would not be safe to give such responsibility to the democracy of Great Britain, so naturally Cobden thought that his own class was the one best fitted to take command. "He had begun life with the idea that the great manufacturers and merchants

¹ y, 130.

² Y, i., 385.

³ X, i., 26 *seq.*

of England should aspire to that high directing position which had raised the Medici, the Fuggers, and the De Witts to a level with the sovereign princes of the earth. At the end he still thought no other class possessed wealth and influence enough to counteract the feudal class.”¹ Mr. Morley also gives Cobden’s own words: “I do hope the leather-headed bipeds who soak themselves upon prosperous market-days in brandy and water at the White Bear, will be brought to the temperature of rational beings by the last twelve months’ regimen of low prices. . . . Our countrymen, if they were possessed of a little of the *mind* of the merchants and manufacturers of Frankfort, Chemnitz, Elberfeld, etc., would become the De Medicis, and Fuggers, and De Witts of England, instead of glorying in being the toadies of a clodpole aristocracy, only less enlightened than themselves.”²

9. The Medici were international bankers, under whom Florence gained free trade and lost her industry and her freedom. The Fuggers, originally German cloth manufacturers, became international traders and led the league of middlemen which crushed the movement for tariff reform and national unity in Germany under Charles V. The De Witts were neither manufacturers nor merchants, but Dutch statesmen, whose power depended upon the support of the traders of Holland. When, under them, Holland had been all-but conquered by the French, the Dutch democracy cut the dykes, slew the De Witts, and made the House of Orange hereditary Stadtholders. There had evidently been some advance in historic knowledge in Great Britain since Adam Smith wrote the *Wealth of Nations*, but the knowledge was such as “to-

¹ x, 946.² x, 134.

day would stamp a man as unscientific, but to accept it in 1835 was a good sign of mental activity”.

10. This early ideal, under the fostering care of Cobden's friend and teacher, the French economist Bastiat, developed in the most extraordinary manner.¹ The colonies from being merely financial burdens became objects of absolute hatred, “a blood-stained fetish, a hydra with three unnatural heads—India, Canada, and Australia”. The army and navy became also objects to be abused. “Malta is the great skulking hole for your navy.”² Workmen's trade unions might interfere with the rule of the “leather-headed bipeds,” hence they are compared to the tyranny of the “Dey of Algiers”.³ No parliamentary protection was to be given to the working man or working woman, although on purely medical grounds Cobden advocated interference on behalf of working children.⁴

11. Quotations could be almost indefinitely multiplied, but the subject is not a pleasant one. No one who has studied Cobden's life and writings can doubt that Cobden's creed comprised four articles which he called free trade in its entirety. First, that there should be no protection given to British labour or capital against foreign competition; second, that labour and capital were to fight out their disputes without any sort of interference; third, that the British Empire should break up into fragments; fourth, that the army and navy should be reduced to the smallest dimensions compatible with the defence of the British Isles. Only the first article of this strange creed has been accepted by the British. In 1860 Cobden made the last attempt to secure Pitt's ideal, free exchange between Great Britain and foreign nations. This was the year in which

¹ “Cobden's Foreign Teacher,” *National Review*, December, 1905.

² Y, i., 467.

³ x, 299.

⁴ x, 951 *seq.*

Cobden's Anglo-French treaty was signed. In the budget of 1860 all prudence was thrown to the winds, and the ports of Great Britain were thrown open to the foreigner, whether they kept theirs closed or open.

12. To one who asked how under Cobden's system the working man could protect himself against his employer, Cobden replied that working men could save twenty pounds apiece and emigrate to the United States.¹ This he suggested was more desirable than any form of Parliamentary interference. In other words, one of the combatants in a labour dispute was to enter into the struggle knowing that he would be banished for life if he failed; and he could only do this if his wages were not lowered before he had been able to save twenty pounds. Even in 1836 this suggestion was surely not "a good sign of mental activity"; at any rate, the British working men did not regard it in this light, since Cobden numbered the Chartists amongst his bitterest enemies.²

13. Cobden always frankly recognised that he was the spokesman of the British middle classes. He described his fellow-workers as a "middle class set of agitators," who took "pacific means for carrying out their views," such as "meetings of dissenting ministers, co-operation of the ladies, and tea parties".³ The Chartist had clearly no place in this movement. It was Gladstone's genius which, at a later date, brought together under one umbrella, as the phrase went in those days, free-trading middlemen and Chartist workmen. That Cobden's ideal for Great Britain was very different can be seen from the important letter which he wrote to Sir Robert Peel in 1846. "Do you shrink from the post of governing through the *bona*

¹ x, 953.² x, 156.³ x, 249.

fide representatives of the middle class? Look at the facts, and can the country be otherwise ruled at all? There must be an end of the juggle of parties, the mere representatives of traditions, and some man must of necessity rule the State through its governing class. The Reform Bill decreed it; the passing of the Corn Bill has realised it. Are you afraid of the middle class? You must know them better than to suppose that they are given to extreme or violent measures. They are not democratic.”¹

14. When Gladstone tried to make the umbrella cover the Irish as well as the English, the task proved impossible. The factors which made one union possible, told against the other. Tariff reformers are right when they say that the gold discoveries in California, by enabling Americans to buy British manufactures, made the repeal of the Corn Laws appear to be a gigantic success. Cobden himself admitted that the gold discoveries had an important effect.² It is also correct to urge that Great Britain's enormous handicap in manufacturing industry, the hindrances to American and German development occasioned by the American and European wars between 1860 and 1870, the change from wooden to steel ships when Britain was easily first in the production of iron, and the enormous additions made to the British Empire have prevented the inhabitants of Great Britain from experiencing the full effect of the fiscal system of *laissez faire*.

15. Still, when all has been said, it remains true that the policy advocated by List and Cobden, of exchanging British goods for American wheat and not for American paper, was a wise one, and did for a time bring prosperity

¹ x, 395.

² X, ii., 237.

to Great Britain. Whether the method by which this freedom of exchange was secured was the one which was most likely to secure that the freedom should be permanent is another question; and it also by no means follows that the whole system of free importation is wise, because one particular measure was suited to the needs of a particular time. The increase in the population of Great Britain and the decrease in the population of Ireland prove, more forcibly than words, that Britain's gain has been Ireland's loss, and explains why Gladstone failed when he tried to deal with the problem of Ireland.

16. Mr. J. Morley has described Peel's budget of 1842 as the commencement of a new policy. "Notwithstanding the fatal omission of the duties on corn, it was a Free Trade budget." Mr. Morley was familiar with the free-trade policies of Pitt, Canning, and Huskisson, but he called the budget of 1842 a free-trade budget, and the commencement of a new policy, because of the ambiguity which at present is attached to the word free-trade. The earlier budgets had been free exchange budgets; that of 1842 was the first move in the direction of free importation. "In articles completely manufactured, their object had been to remove prohibitions and reduce prohibitory duties, so as to enable the foreign producer to compete fairly with the domestic manufacturer." To meet the loss in revenue an income tax was imposed on Great Britain. The Government "expected that the duration of the impost would probably be about five years".¹ It was originally sevenpence in the pound; it has lasted sixty-five years, and is now one shilling in the pound.

¹ x, 236-238.

This folly, however, seems almost trifling when contrasted with Peel's action in 1846. Then the Irish Famine was made the excuse for depriving Irish farmers of their protected market in Great Britain, a market for which Ireland had paid dearly by the ruin of her manufactures.¹

¹ *nn*, iv., 654, 655.

XXX.

KISSING THE ROD.

IRELAND.

1. Economic advantage may blind men to the dangers of a bad policy.
 2. Reason for the abolition of octroi duties.
 3. Conditions under which octroi duties are useful.
 4. In 1846 Great Britain could safely allow the exportation of grain.
 5. Free traders could not see the difference between the conditions in Great Britain and Ireland.
 6. Young Ireland protested against free trade.
 7. Modern Irishmen believe that free trade is a scientific truth.
 8. The effect of free trade upon the West Indies.
 9. Mr. M'Carthy's description of the West Indian planters.
 10. Mr. M'Carthy's view is almost incomprehensible.
 11. Free-trade theories prevented the relief of Irish distress.
 12. Free traders defended absentee landlords.
 13. Cobden's description of Ireland in 1835.
 14. Cobden's arguments against the Irish poor law.
 15. Free-trade remedies for Irish distress.
 16. Useful public works forbidden.
 17. Free traders refused to sell corn to the starving.
 18. Emigration was the chief free-trade remedy, and what this meant.
 19. Free traders at first sided with landlords against their tenants.
 20. The interests of both landlord and tenant were opposed to free trade.
 21. Irishmen now support a system which has ruined Ireland.
- I. TRUE political economy should teach men how to secure the maximum amount of food and shelter out of

their own labour, not out of the labour of others. When its laws are violated, Nature automatically calls attention to the error, and workers are forced to emigrate. This, Cobden's remedy for labour troubles, is really the surest sign of national decay. Sometimes a cheap supply of coal or some other cause may make the process of decay a gradual one, as now in Great Britain and formerly in Flanders ; at other times Nature enforces her lessons with the stern horrors of famine, as in France at the end of the eighteenth century, and in Ireland in the middle of the nineteenth.

2. When communication between different parts of a nation was slow and difficult, the less fertile provinces were forced to protect their production by means of octroi duties, that is duties levied on goods passing from one province to another of the same nation. As knowledge increased and means of communication became more rapid, men found themselves able to deal effectively with larger economic units ; octroi duties then became obsolete and have fallen into disrepute. It is well, however, to remember that these duties served a useful purpose in their time, and that, by studying the reasons why they once existed, modern economists may learn much that is helpful to-day. Captain Mahan is not above studying the tactics of admirals of fleets of sailing ships, and, from this study, he has deduced valuable laws, which now guide naval men.

3. In former times poor agricultural provinces were liable to famines, such as the one Turgot had to face when he was Intendant of Limoges. The changed conditions of modern life have made provincial famines impossible in France or Great Britain, but they still occur in India and in Ireland. The reason why Ireland is liable to famine,

from which all parts of Great Britain are free, must be found in the fact that the sea interposes an obstacle to communication. The chain of inhabitants and houses, which extends westward from the North Sea, is abruptly broken by the Irish Channel, and, though science has been at work for centuries to bridge the gap by increasing and improving the ships which unite the islands, the gap still interposes a certain obstacle.

4. When the potato-blight appeared in Ireland in 1845, O'Connell, the "uncrowned King of Ireland," proposed to adopt methods which England in the past had often used with great success.¹ He wished to prohibit the exportation of food stuffs, and open the ports of Ireland to supplies of foreign food. Great Britain had outgrown the necessity of prohibiting the export of grain. She had immense supplies of manufactured goods, which she could always sell, and a sliding scale of import duties, which automatically opened her ports to the free admission of grain when the food of the people reached a price which indicated distress. England was thus always able to avert famine by selling her manufactures and buying grain; and she readily believed her economists when they taught her that restrictions on the importation and exportation of food were, and always had been, folly in all times and in all places. They said that, unless crops failed all over the world, in which case there was obviously no remedy, a nation had only to open her ports and grain would enter.

5. This law is unfortunately only true when a nation has manufactures to exchange for grain; and Ireland had lost her manufacturing industry. In obedience to the teaching of the economists, O'Connell's request that the

¹ u, 25.

exportation of food from Ireland should be prohibited was disregarded, and Sir Robert Peel framed the celebrated Corn Importation Bill to give Ireland the relief which economists had pronounced sufficient. Since the present Chief Secretary for India has expressed his agreement with Turgot and with the economists of sixty years ago, it would seem as if the advance in economic thought during the last sixty years has not been as rapid as the advance in historical knowledge.¹

6. There were some Irishmen who mistrusted Cobden's policy. Smith O'Brien, the leader of Young Ireland, saw clearly the effect free trade was destined to produce in his own country. He denounced the measure on the ground that it would permanently lower the value of Ireland's agricultural production, and thus render the Irish less able to buy the British goods they needed.² When Mr. T. P. O'Connor, in his *Parnell Movement*, describes the dark days of the Irish famine, he interpolates these sentences: "These were the days when free trade was a doctrine professed with all the exaggeration and misconception of a new faith. The reader need not fear that I am about to inflict upon him any of the senseless and utterly unmeaning abuse of free trade and political economy with which ignorant or half-educated writers are in the habit of vexing intelligent men."³

7. This curious dread lest Englishmen should regard them as "ignorant or half-educated" has made the ensnaring of most Irish members in the meshes of free trade a simple matter. Mr. Bryce doubtless felt no fear when he placed his book on Irish history before the Irish world. This reluctance to be thought ignorant makes

¹ r, 216; x, 40, 41.

² t, 267, 268.

³ u, 35.

the Irish repeat with child-like simplicity the most absurd statements of the free traders. For example, Mr. Justin M'Carthy wrote of free trade, in his *Epoch of Reform*, with zeal equal to that of Adam Smith or Cobden.

8. In 1833 Great Britain decreed that slavery should cease in the West Indian Islands.¹ Thirteen years later she forced the West Indian sugar producers to compete on equal terms with Brazilians and Cubans who employed slave labour. Cobden actually defended this act of gross unfairness by arguing that, since slave-grown cotton was bought from the United States, there was no reason why slave-grown sugar should not also be bought from Brazil. The argument satisfied those who wished to buy sugar cheap, regardless of the suffering of others, but it must have sounded somewhat strange to the West Indian planters, who were involved in financial difficulties caused by the abolition of slavery.²

9. Of these planters in Jamaica, Mr. M'Carthy wrote that "they lived in a kind of careless luxury, mortgaging their estates as deeply as they possibly could, throwing over to the coming year the superabundant debts of the last, and only managing to keep their heads above water so long as the people of England, by favouring them with a highly protective system, enabled them still to compete against those who grew sugar on better principles and more economical plans".³ How did Mr. M'Carthy discover these interesting reasons for the mortgages which his fellow-subjects had been forced to raise after their slaves were emancipated? He appears to have known that "the abolition of slavery in our colonies had made labour there somewhat costly and difficult to obtain continuously, and

¹ v, 82.² x, 283.³ v, 185, 186.

the impression was that if the duties on foreign sugar were reduced, it would tend to enable those countries which still maintained the slave trade to compete at great advantage with the sugar grown in our colonies" by free labour. Yet, without attempting to prove his extraordinary charge, he alleges that the English sugar planters in the West Indies employed "most crude, old-fashioned, and uneconomical methods," compared with those employed by the Spanish in Cuba and Portuguese in Brazil, and describes slave-grown sugar as sugar grown "on better principles and more economical plans".

10. Mr. M'Carthy finished his tirade against the English colonists with these remarkable statements: "In the West Indies we have, therefore, the most severe test to which the principle of Free Trade could well be subjected. It is not too much to say that in the more fortunate of these islands it has established its claim, and that even in the least fortunate no evidence whatever has been given that the people would have been in any way the better off if the old system had been retained."¹ To add to the absurdity, a West Indian planter should write a panegyric on the effects of the Union and free trade in Ireland.

11. In the history of Ireland which Mr. Bryce edited, Dr. Bridges deals with the period which closes in 1829. The later writers have much to say about distress and poverty, but scarcely mention manufactures. The poverty and distress remained when manufactures had fled. The same free-trade doctrines, which had caused Ireland's misery, did their utmost to prevent relief being given to the stricken nation. No situation in a comic opera could be made more ridiculous than the plain record of Great

¹ v, 184-187.

Britain's government of Ireland, on free-trade principles, in the nineteenth century. It might serve as a perpetual joke for humanity, if behind it there were not the awful tragedy of Irish suffering and death.

12. The Great Famine of 1846 did not come without warning. There had been years of dearth in Ireland before 1846.¹ Parliamentary committees were appointed in 1824 to consider the state of Ireland. The removal of the Parliament from Dublin to London had caused many landlords to live away from Ireland, and rent thus became a national tribute paid to England. An eminent economist, M'Culloch, was examined as to the evils of absenteeism; M'Culloch had little difficulty in proving that absentee landlords did not injure Ireland financially. His argument is a delightful specimen of free-trade logic. Imports are always paid for by exports; hence, if an Irish landlord living in Ireland buys English goods, it does as much good to Ireland as if he bought Irish goods; and it cannot matter whether he happens to be in Ireland or in England when he buys a particular article.² After this convincing argument, nothing was done to put a stop to absenteeism.

13. When Cobden wrote on Ireland in 1835, he expressed his agreement with a writer who had stated "that the destitute, infirm, and aged, form a large body of the population of the cities, towns and villages of Ireland: that, in the judgment of those best qualified to know the truth, three-fourth parts of their number die through the effects of destitution, either by the decay of nature accelerated, or through disease produced by scanty and unwholesome food, or else by the attacks of epidemics,

¹ J, 52, 55, 266, 275. ² w, 246 seq.; *Encycl. Brit.*, Art. M'Culloch.

rendered more fatal from the same causes: that the present condition of this large class is shocking for humanity to contemplate, and beyond the efforts of private beneficence to relieve, and is a reproach to any civilised and Christian country".¹ Ireland had no poor law to relieve distress; but in 1835 the establishment of a poor-law system for Ireland was being discussed, and in spite of great opposition, a bill was carried in 1838.

14. In his pamphlet, Cobden prophesied that, if an Irish poor-law system was established, "the days of the Pale and all its horrors would be again revived: famine would soon, of necessity, ensue; the towns would be assailed by these barbarous and starving clans; and the British Government would once more be called on to quell this state of rapine with the sword".² Mr. Bryce's authors quote with approval the following description of the effect of this poor law. "On the whole, the operation of the poor law must be pronounced to have been successful. There was at once a perceptible diminution of the crowds of beggars which used to be seen on the roads near the villages and towns, and whose numbers and wild and withered appearance have been so often described in the writings of men who travelled in Ireland. Those who continued to think it might have been better had no system of legal charity been adopted, and who lived through the years from 1846 to 1852, must have seen grave reasons to modify their opinions. Frightful as were the sufferings of the people during that terrible period, most assuredly they would have been very much worse had there been no poor law in existence."³

15. On 25th June, 1846, the night when the House of Lords passed the third reading of the Corn Importation

¹ X, i., 73.

² X, i., 82.

³ J, 367.

Bill, a mutiny of Sir Robert Peel's supporters drove him from power, and a free-trade Government under Lord John Russell took office. "The Administration of Sir Robert Peel, by buying up large quantities of Indian corn and then retailing it at low prices, and by establishing relief works under a Labour Rate Act, one-half of the cost of which was eventually to be repaid by the localities, had turned the edge of the famine at the outset; but it was contended in some quarters that these different agencies had checked the importation of cheap food through private enterprise, and the establishment of public works by the local authorities. When, therefore, in 1846 it became evident that the worst of the famine was yet to come, the Russell Government decided to stop the further sale of Indian corn, to throw the whole of the ultimate repayment of the loans for public works on the localities themselves, and to extend the duration of the Labour Rate Act."¹ As far as England was concerned this policy was undoubtedly economical, but it ruined both Irish landlord and Irish tenant.

16. "Many of the landlords evinced conspicuous self-sacrifice and individual heroism; one-third of their number were absolutely ruined by the famine. The owner and the occupier too often sank together in a common ruin."² There was an economic maxim in those dark and terrible days which said: "Don't undertake to employ the able-bodied pauper productively".³ In obedience to this folly, the relief works were planned so that Ireland should derive no benefit from the labour for which she was forced to pay. "No attempt was made—perhaps none was possible—to carry out the construction of any large plan of

¹ J, 403.² J, 410.³ W, 228.

permanent benefit to the country, such as Drummond's scheme of railway construction. The result was that, while in some cases good results were obtained, in others enormous sums were wasted. Roads were laid out that led from nowhere to nowhere; canals were dug into which no drop of water has ever flowed; piers were constructed which the Atlantic storms at once began to wash away."¹

17. In the book in which Mr. T. P. O'Connor denounces protectionists as "ignorant or half-educated," he also writes of the free-trade Russell Government that to "the end of 1846 they were still unshaken in their crazy misunderstanding of the subject," that is "of the teachings of sound political economy". Mr. O'Connor appears for a moment to forget that 1846 witnessed the great triumph of the free-trade doctrine. Before he was quite converted Sir Robert Peel had bought Indian corn, and opened Government stores where it was sold to the starving poor at a cheap rate. The Russell Government decreed that "there was to be no interference with the ordinary operations of trade," and closed the stores. Mr. O'Connor quotes an incident which occurred in Achill. Some of the starving inhabitants approached the head of the commissary department and asked to be allowed to buy some grain. The request was not only refused, but the applicants were told that "nothing was more essential to the welfare of a country than strict adherence to free trade".²

18. Emigration, the remedy for Irish distress which Cobden had advocated in 1835,³ was now systematically tried. The insurrection of 1848 was sternly suppressed. Coercion Acts and Encumbered Estates Acts were passed to facilitate the removal of ruined tenants and ruined landlords from

¹ J, 404.

² u, 35.

³ X, i., 83 *seq.*

the soil of Ireland. The market was glutted by this forced sale of Irish land, and business men, who were prepared to work the land on the principles of the Manchester school, picked up excellent bargains. In order to work the land on business lines, the ruined peasantry were evicted during the great clearances. In a very large number of cases death solved the difficulties which economists had created; but many evicted tenants sailed for the United States in the ships which private enterprise, unfettered by Government inspection, provided. The horrors of this emigration were only equalled in the worst days of the slave trade: "89,783 persons altogether embarked for Canada in 1847. The Chief Secretary for Ireland reported with regard to these that 6,100 perished on the voyage; 4,100 on their arrival; 5,200 in hospital; 1,900 in towns to which they repaired."¹

19. Even the most approved business principles could not make Irish land support both landlord and tenant when free importation lowered the value of Irish agricultural products. A scarcely veiled form of civil war broke out between landlord and tenant, and at first the economists were on the side of the landlords. "Men of business joined the landlords in condemning a policy which apparently conflicted with the principles of free trade, asserting that it was as mischievous to protect a tenant against his landlord as to protect both against foreign competitors. . . . The Whigs, who, found in the financial debates of 1860 and 1861, that the battle of free trade had not yet been finally won, took this high ground of principle in opposing all forms of tenant rights. The straitest school of Radicals . . . saw the matter very much in the same

¹ u, 45.

light. . . . It is indeed a noteworthy though not a surprising, fact that the Tory party, in which the landed interest was so strong, had all along been much more inclined than their opponents to treat the tenants' claims in a sympathetic spirit."¹

20. It was only natural that the party whose interests were bound up with British soil should have acted in this way. Irish and British landlords and tenants had one main interest, the maintenance of the value of the production of the sister islands. In 1848 the Irish had viewed with joy the Chartist movement in England. "Why, they thought, should not the two movements go hand-in-hand, and the two peoples be liberated simultaneously?"² In 1849 an Englishman, afterwards Sir John Byles, had written *Sophisms of Free Trade*, which denounced emigration as a panacea for Ireland's troubles and advocated the re-establishment of Irish industry under an octroi system, similar to the present colonial one.³ If the Irish and British had but joined forces, that deadly foe to real union, free trade, might have been destroyed, and minor differences about local government would have settled themselves without friction. It could not be in the interest of the British landowner that all manufactures in Ireland should be ruined.

21. The free trader had, however, one weapon left—bribery. Rapidly realising that, whatever were the merits of the dispute, the tenants had many votes and the landlords few, the free traders gave the Irish, first, the property of the Irish Church, and then the property of the Irish landlords. Wiser than the Fuggers of Germany, they bribed with money that was not their own. Lastly, they

¹ J, 495, 496.

² J, 418.

³ W, chs. xvi., xix., xxxiii.

offered Home Rule, but Home Rule without control of the customs; and the Irish were ready to accept with gratitude a stone instead of bread. To-day descendants of the Chartists and the Irishmen of '48 are co-operating with free traders to maintain a system which is opposed to the interests of the workers of Great Britain and Ireland. They are refusing to listen to the United Empire Loyalists of Canada when they call them to found a great united empire built on the old well-tried principles of octroi duties to develop the production of each part of the empire, and a customs union to unite the whole.

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ANCIENT TIMES.

	A.D.
Germans and Persians attack the Roman Empire	Third Century
Metropolis moved to Constantinople	324-328
East, under Theodosius, conquers West	394
Goths sack Rome	410
Vandals sack Rome	455
East, under Justinian, reconquers West	533-555
Lombard and Slav invasions	568-602
Persian War. Constantinople abandons tribute for trade	603-628
Mahomedan revolt commences	633
Saracens defeated at Tours	732
The King of the Franks, Charles the Great, made Western Emperor	800

EARLY MIDDLE AGES.

Western Empire divided by Treaty of Verdun	843
Paris besieged by Normans	885
Kingdom of Bulgaria and Duchy of Normandy established. Tenth Century	
Constantinople reconquers Bulgaria	996-1018
Norman duchy founded in Southern Italy	1059
Norman conquest of England	1066
Seljouk victory at Manzikert	1071
Normans attack Eastern Empire. Venetian treaty	1081
First Crusade	1096
Christian kingdoms established in Spain	Eleventh Century
Amalfi ruined by Pisa	1135
War between Constantinople and Hungary	1151-1168

CHRONOLOGICAL TABLE OF EVENTS 303

War between Constantinople and Venice. Ancona attacked by Venice	1171-1174
Capture of Constantinople in Fourth Crusade	1204

LATER MIDDLE AGES.

Birth of England, Magna Charta	1215
Death of the Emperor Frederick II. Decline of German rule in Italy	1254
Greeks recover Constantinople	1261
Edward I. of England. Ineffective Anglo-French wars	1272
Pisans defeated by Genoese at Meloria	1284
Hanse League controls Norway	1285
Syria reconquered by Mahomedans	1291
Battle of Courtrai. Anglo-Flemish trade freed from French control	1302
Battle of Cassel. French again control Anglo-Flemish trade	1328
English merchants expelled from Flanders	1336
Export of English wool to Flanders prohibited	1337
Anglo-French wars free Anglo-Flemish trade. Crecy, Poitiers	1340-1360
Duke of Burgundy marries heiress of Flanders	1369
Hanse League controls Denmark	1370
Richard II. of England. Dawn of protection in England	1377
Genoese defeated by Venetians at Chioggia	1380
Battle of Rosebeque. Burgundian rule established in Flanders	1382
Union of Denmark, Norway, and Sweden	1397
Pisa becomes subject to Florence	1406
Armagnacs control French policy	1413
Anglo-French war. Agincourt	1415
Secession of Dutch towns from Hanse League	1417
Anglo-Flemish commercial war begins	1434
Franco-Burgundian Treaty of Arras	1435
Calais the only English possession in France	1453
Constantinople taken by the Turks	1453
Wars of the Roses	1455-1485
Alum mines opened in Papal territory	1463
Alum mines opened in Florentine territory	1472
Union of Castile and Aragon	1474
Battle of Nancy. Union of Lotharingia defeated	1477
Portuguese discover Cape of Good Hope	1486
Florence under the Medici adopts free trade	1490

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Spain conquers Granada, expels the Jews, and discovers America	1492
Pope Alexander VI. divides the world between Spain and Portugal	1493

MODERN TIMES (1).

Charles VIII. of France invades Italy	1494
Florence expels the Medici	1494
Spain expels the Moors	1502
Charles V., ruler of Burgundy, becomes ruler of Spain . .	1516
Charles V. becomes Duke of Austria and Emperor of Germany	1519
Rebellion in Spain	1520
Luther at the Diet of Worms	1521
Fiscal reform carried at the Diet of Nuremberg	1522
Knights' War in Germany	1522
Fiscal reform defeated by German merchants	1523
Peasants' War in Germany	1524
Charles V. imposes the Medici upon Florence	1531
Henry VIII. abolishes papal supremacy in England . .	1534
Insurrection of Ghent	1539
German civil wars	1546-1555
Abdication of Charles V.	1555
French capture Calais	1558
Civil wars in France	1562-1589
Alum-mining attempted in the Isle of Wight	1565
Revolt of the Netherlands	1568
Defeat of the Spanish Armada	1588
Henry IV. of France. French production fostered . . .	1589
Hanse merchants expelled from London Steelyard . . .	1598
Alum-mining succeeds at Whitby	about 1600
Spain expels the Moriscos	1609
Anglo-Dutch commercial war	1614-1617
Thirty Years' War	1618-1648
Independence of Holland acknowledged	1648

MODERN TIMES (2).

Anglo-Dutch wars begin	1652
Franco-Spanish Peace of the Pyrenees	1659
Colbert directs the finance of France	1661
The French tariff becomes highly protective	1667
Anglo-Dutch Peace of Breda. Dutch lose New York and New Jersey	1667

William made Stadtholder of Holland. English and French	
attack the Dutch	1672
Anglo-Dutch war ends	1674
Franco-Dutch war ends	1678
England prohibits importation from France	1678
Death of Colbert	1683
Revocation of the Edict of Nantes	1685
Great Britain and Holland united under William and Mary .	1689
French navy defeated by the British at La Hougue . . .	1692
Peace of Ryswick unfavourable to France	1697
Importation of printed calicoes from India prohibited . .	1700
War of the Spanish Succession	1702
Methuen's treaty opens Portuguese colonies to British products	1703
England refuses Ireland's request for union	1704
Union of England and Scotland	1707
Peace of Utrecht. Great Britain gains Nova Scotia and New-	
foundland from France, Gibraltar and Minorca from Spain	1713
War between Spain and the Quadruple Alliance . . .	1718-1720
Use of printed calico prohibited in Great Britain . . .	1720
Family Compact between France and Spain	1733, 1761
Wars, in which Great Britain fought France and Spain, begin	1739
Quesnai's <i>Tableau Économique</i> published	1759
Peace of Paris. Great Britain takes North America and India	
from France	1763

MODERN TIMES (3).

Adam Smith visits France and begins his <i>Wealth of Nations</i> .	1764
American Stamp Act repealed	1766
After consultation with Adam Smith, tea duty is imposed in	
America	1767
Turgot, Controller-general of France, allows free exportation of	
grain	1774
Declaration of Independence of thirteen American colonies .	1776
Turgot dismissed. Free exportation of grain abolished . .	1776
<i>Wealth of Nations</i> published	1776
Necker directs the finance of France	1777-1781
Bounty given on exportation of British cotton goods . .	1781
Peace of Versailles. Independence of United States acknow-	
ledged	1783
Pitt becomes Prime Minister of Great Britain	1783
Trade of French colonies thrown open	1784

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The Eden commercial treaty between Great Britain and France	1786
Free exportation of grain from France again allowed	1787
Bad harvest. Necker recalled to office. Free exportation of grain abolished	1788
The French Revolution and the Reign of Terror	1789-1794
National Assembly meets at Versailles	May 4, 1789
Fall of the Bastille	July 14, 1789
Taxation equalised, feudal dues abolished	Aug. 4, 1789
King and Queen brought to Paris	Oct. 6, 1789
Church lands confiscated	Nov. 2, 1789
<i>Assignats</i> issued	Dec. 21, 1789
Necker resigns	Sept. 4, 1790
Flight of king stopped at Varennes	June 21, 1791
Legislative Assembly meets at Paris	Oct. 1, 1791
Property of <i>émigrés</i> confiscated	Feb. 9, 1792
War with Austria	April 20, 1792
Complete ascendancy of the Parisian mob	July 25, 1792
Massacres in prisons begun	Sept. 2, 1792
Battle of Valmy	Sept. 20, 1792
Convention meets in Paris. Royalty abolished	Sept. 21, 1792
Brussels occupied by the French	Nov. 14, 1792
King Louis guillotined	Jan. 21, 1793
War with Great Britain and Holland	Feb. 1, 1793
War with Spain	March 7, 1793
Counter-Revolution in La Vendée	March 14, 1793
Fixed price for grain	May 3, 1793
Counter-Revolution in Lyons	May 10, 1793
Vendéens defeated at Nantes	June 29, 1793
Dealing in <i>assignats</i> under par made a crime	Aug. 1, 1793
Toulon occupied by the British	Aug. 28, 1793
Use of coin or refusal of <i>assignats</i> punished with death	Sept. 5, 1793
Mob of Paris paid for attending political meetings	Sept. 5, 1793
Lyons captured by the Convention	Oct. 9, 1793
Embargo on British goods	Oct. 9, 1793
Queen guillotined	Oct. 16, 1793
Girondists guillotined	Oct. 31, 1793
Toulon evacuated by the British	Dec. 18, 1793
Hébertist section of Jacobins guillotined	March 24, 1794
Dantonist section of Jacobins guillotined	April 5, 1794
Lord Howe defeats French fleet, but American grain ships reach France safely	June 1, 1794

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Robespierre and his supporters guillotined.	July 28, 1794
Directory established in France	1795
Franco-Dutch alliance. Franco-Spanish peace	1795
Bonaparte invades Italy. Franco-Spanish alliance	1796
Spanish navy defeated at St. Vincent, Dutch navy at Camperdown	1797
France supreme in Europe. Plans formed for invading Great Britain	1797
Hostilities between France and the United States	1798-1800
Bonaparte invades Egypt. Battle of the Nile	1798
Bonaparte's attempt to deprive Great Britain of raw material destroyed at Acre. Bonaparte becomes First Consul	1799
Union of Great Britain and Ireland	1800
Addington replaces Pitt as Prime Minister	1801
Peace of Amiens	1802
Renewal of Anglo-French war	1803
Napoleon occupies Hanover and controls Hamburg and Bremen	1803
Battles of Trafalgar and Austerlitz	1805
Death of Pitt. Ministry of All the Talents. Anglo-Prussian war	1806
Death of Fox. Battle of Jena. Berlin decree	1806
British orders in council. New Ministry. Canning Foreign Secretary	1807
Battle of Friedland. Treaty of Tilsit. Great Britain seizes Danish fleet and escorts Portuguese fleet to Brazil. French invade Portugal	1807
Peninsular War	1808-1813
Russia abandons Continental System	1810
French campaign in Russia. Retreat from Moscow	1812
War between Great Britain and the United States	1812
Peace of Paris. Napoleon in Elba	1814
Napoleon's return. Waterloo. Napoleon in St. Helena	1815

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United States adopt protection	1816
Belgian artisans are refused adequate protection	1816
German Tariff Reform League formed. The League leads to the formation of Zollvereins in Germany	1819
United States revert to free importation	1820
List punished for advocating German union	1822
Franco-Belgian commercial war owing to high French tariff	1823

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Great Britain reduces duties on raw materials	1824
Anglo-Dutch commercial treaty arranged	1824
France and the United States increase their tariffs	1824, 1825
United States adopt Tariff of Abominations	1828
Taxation for colonial wars excites Belgian discontent. Belgium secedes from the Netherlands and adopts protection	1830
South Carolina threatens to secede. American tariff is lowered	1832
Union of German Zollvereins. Prussia chief state	1834
First iron ship classed at Lloyds	1837
First British free importation budget. Income tax introduced	1842
Famine in Ireland. Corn Laws abolished	1846
Great Britain unreservedly adopts <i>laissez faire</i>	1860
Led by South Carolina, Southern States secede from the Union	1860
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Prussia replaces Austria as political leader of Germany	1866
Franco-Prussian War. Political union of Germany	1870
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German tariff again increased	1885
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McKinley's high tariff in United States	1890
Wilson's lower tariff in United States	1894
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Canada gives Great Britain a preference in her market	1897
Boer War. Income tax greatly increased	1899
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British Tariff Reform League founded	1903
British Ministry pledged to free importation takes office	1906
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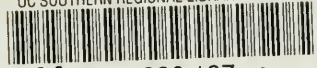
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